"Watch-dogs for an Economy"

A determination of the origins of the South African Public Accountants' and Auditors' Board – as the Regulator of the Profession – principally through an analysis of the debates and related reports to the House of Assembly of the Parliament of the Union of South Africa in the period 1913–1940.

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ABSTRACT

This thesis concentrates upon a new field of research in South African accounting scholarship – this being, in general terms, accounting history and more specifically an analysis of the origins of the Public Accountants' and Auditors' Board as watch-dog in relation to:

- the South African economy in the period 1913–1940; and
- the changing political framework (also in the period 1913–1940).

The integration of economy, politics and personal ambition on the part of early 20th Century accounting societies, led to a variety of responses, counter proposals, stalemates and unfocused activity which caused the process of accountants' registration to extend over 38 years in South Africa. This confusion was in strong contrast to the process of speedy registration of accountants in New Zealand and Australia. The final unification of South African accounting societies in 1951 created the Public Accountants' and Auditors' Board. Its creation, at long last, suggested an overarching control and regulation which was mirrored in the final political unification and economic stability of a South Africa dominated by Afrikaner Nationalists.

One further element was interwoven into the fabric of the thesis – this being the application of institutional economic theory and its impact upon the accounting concepts of "material irregularity" and "reportable irregularity".

Key Words and Phrases: Accountants' Registration (Private) Bills 1913 and 1924; The Four Societies; Parliamentary Activity (Intra- and Extra-); South African Economy; Mining; Politics (Language, Flag, South Africa First); South African Political Parties; The Companies Act of 1926; The Chartered Accountants' Designation (Private) Act 1927; The Commonwealth; New Zealand Society of Accountants Act 1908; Australian Charter 1928; Accounting Commission 1934; Accounting Bill 1936; Pocock's Bill 1938; Public Accountants and Auditors Act 1951; Institutional Economics.

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PREFACE

The genesis of this thesis lies in my recognition (in about 2006) of a research lacuna in South African accounting history, and a subsequent general awakening of interest in this field.

While this field has been extensively researched in the United States of America, in South Africa it is still in its infancy. This growing interest in South African accounting history has been assisted by two events of importance: firstly, the establishment (in 2010) of the South African Accounting History Centre at the University of Johannesburg; and secondly, the recognition afforded by the South African Accounting Association to accounting history in its recent call for papers on the topic at its Biennial Conference held in June 2013.

South Africa enacted the Public Accountants' and Auditors' Act of 1951 with the purpose of registering public accountants and auditors, and for the regulation of their training. This was necessary to provide for the skilled manpower needed to audit companies, mines and other economic entitities, and secure foreign investment.

Fellow dominions within the British Commonwealth, New Zealand and Australia, legislated the creation of their accounting professions in 1908 and 1928 respectively. This thesis explores the reasons for South Africa's tardiness in passing similar legislation and pays close attention to the stimuli, both negative and positive, of South African politics and the country's economy. Extensive use is made of parliamentary records, and an approach for institutional economic analysis is suggested. Also, detailed analysis is made of critical and successful legislative enactments, such as the Companies Act of 1926, the Chartered Accountants' Designation (Private) Act of 1927, together with legislative failures, such as Pocock's Bill of 1938. The thesis explores concepts such as "material irregularity" and "reportable irregularity" and how these impact upon institutional economics or *vice versa*. A broad overview is also given of

the present-day profession and its antecedents in the United Kingdom and the United States of America, and their impact on the South African profession.

Conclusions drawn include the following.

- In the period under review, South Africa emerges as a dysfunctional society, warped by the Anglo-Boer War, shaped by the residual bitterness between English and Afrikaner, and given political substance by Union in 1910.
- The above social divisions were compounded by extensive, lucrative and foreign-controlled mining activities whose insatiable demands for cheap labour reinforced and extended the inequalities between White and Black.
- Against this background, Milner's social engineering in the Transvaal, and Natal's prescience in forming its own separate accounting framework, before Union, saw these future provinces establish their own accounting societies through legislation. This engendered unequal levels of influence among South African accounting societies. And this weakness led to the domination of the profession in the Union by the Transvaal and Natal societies.
- This societal imbalance caused the Transvaal and its allies in Natal, the Cape and the Orange Free State (the Four Societies) to introduce new legislation – intended for their own advantage – to register accountants nationally. A government reluctant to force what was still a private issue, was equally determined not to permit inequality within a nascent profession. Thus, the process was stalemated for long periods.
- The logjam created in the period 1913–40 was finally broken after World War II by a Nationalist government prepared to use its influence. This government's willingness to do so was a direct result of the sustained economic growth South Africa experienced from 1940 onwards. Watch-dogs for the economy were needed.
- And finally, the process of analysis resulting from the above abstract saw an application of the theory of institutional economics as espoused by North.

ABBREVIATIONS USED

AB	Accounting Bill
ACCA	Association of Certified and Corporate Accountants
ACPA	Australasian Corporation of Public Accountants
ACA	Associate of the Institute of Chartered Accountants (Aus.)
CEO	Chief Executive Officer
CFAS	Committee for Auditing Standards
CNO	*Christelike Nasionale Onderwys*
CPA	Certified Public Accountant
CPD	Continuous Professional Development
CPC	Code of Professional Conduct
CSA	Cape Society of Chartered Accountants
Exco	Executive Committee
FCA (Aust.)	Fellow of the Institute of Chartered Accountants (Australia)
Four Societies	The four major provincial accounting societies in South Africa
GP	Government Printer
HA	House of Assembly, South Africa
HNP	*Herenigde Nasionale Party*
ICAEW	Institute of Chartered Accountants in England and Wales
ICAS	Institute of Chartered Accountants of Scotland
ICU	Industrial and Commercial Workers' Union
IIANZ	Incorporated Institute of Accountants of New Zealand
IFRS	International Financial Reporting Standards
IRBA	Independent Regulatory Board for Auditors
ISA	International Standard on Auditing

MP	Member of Parliament (colloquially used as “Member”)
NGG	*Natal Government Gazette*
NP	National Party
NZAAA	New Zealand Accountants’ and Auditors’ Association
OFS	Orange Free State
PAA Act	Public Accountants’ and Auditors’ Act, No. 51 of 1951
PAAB	Public Accountants’ and Auditors’ Board
RI	Reportable Irregularity
SA	South Africa(n)
SAAHC	South African Accounting History Centre
SAAS	South African Auditing Standards
SAICA	South African Institute of Chartered Accountants
SAP	South African Party
SC	Select Committee
SSA	Senate of South Africa
TSA	Transvaal Society of Accountants
Tvl	Transvaal
UG	Government of the Union of South Africa
UK	United Kingdom of Great Britain
USA	Union of South Africa (Not: United States of America)
WCED	World Commission on Environment and Development

CONVENTIONS USED

Racial Classification:

Asian	South African of Asiatic (principally Chinese or Indian) descent
Black	South African of African origin
Coloured	South African of mixed racial descent
White	South African of European descent

In-text referencing of Government Documents:

AB, 1913	South African Society of Accountants (Private) Bill (1913)
AB, 1924	South African Accountants (Private) Bill (1924)
AB, 1938	Accountancy Bill (1938) ("Pocock's Bill")
GP45, 1970	Van Wyk De Vries Commission: 1970
SC3, 1913	Report of the Select Committee on the Accountants' Registration (Private) Bill: 1913
SC5, 1927	Report of the Select Committee on the Accountants' Designation (Private) Act: 1927
SC7, 1924	Report of the Select Committee on the Accountants Bill: 1924
SC8, 1939	Report of the Select Committee on the Subject of Accountancy Bill: 1939
SC12, 1938	Report of the Select Committee on Pocock's Bill: 1938
UG19, 1916	Report of the Natives Land Commission: 1913–6
UG32, 1911	Census of the Union of South Africa: 1911
UG49, 1934	Report of the Accountancy Profession Commission: 1934
UG69, 1948	Millin Commission: 1948
Union Statistics	*Union Statistics for Fifty Years, 1910–1960*. Jubilee Issue. 1960. Bureau of Census and Statistics, Pretoria

CHAPTER 1: INTRODUCTION

- The Thesis in the Context of Research
    - Auditing and Research
    - The History of Accounting and Auditing in South Africa
- The Thesis in the Context of the Profession
    - A Profession in Transition
    - A Crisis of Confidence
    - The Institutional Perspective
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        - Table 1.1: The Route to Fraudulent Accounting
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        - Table 1.2: Reportable Irregularties: 2008–12
- Objectives of the Research
    - Primary Objective of the Research
    - Secondary Objective of the Research
- Research Methodology
    - Objective 1
    - Objective 2
    - Source Material
- Conclusion

CHAPTER 1: INTRODUCTION

THE THESIS IN THE CONTEXT OF RESEARCH

AUDITING AND RESEARCH

In their ground breaking 1961 work, *The Philosophy of Auditing*, Mautz and Sharaf emphasised the paucity of professional literature dealing with auditing theory when compared to "the wealth of material one finds on accounting theory" (1961: 2). They then sketched a methodology of auditing which drew upon first principles, which they described as the postulates of auditing, these generally being assumptions that form a basis for inference and a foundation for further investigation (1961: 37). Being "at the bedrock", postulates were difficult to verify. Mautz and Sharaf isolated eight "tentative" postulates of auditing (1961: 42) which, in the main, underpin modern auditing. They are:

1. Financial statements and financial data are verifiable.
2. There is no necessary conflict of interest between the auditor and the management of the enterprise under audit.
3. The financial statements and other information submitted for verification are free from collusive and other unusual irregularities. [This has been modified since by International Standard on Auditing 240A30 which describes the risks of fraud in revenue recognition as a rebuttable presumption.]
4. The existence of a satisfactory system of internal control eliminates the *probability* [my italics] of irregularities.
5. Consistent application of generally accepted principles of accounting results in the fair presentation of financial position and the results of operations.
6. In the absence of clear evidence to the contrary, what has held true in the past for the enterprise under examination will hold true in the future.
7. When examining financial data for the purpose of expressing an independent opinion thereof, the auditor acts exclusively in the capacity of an auditor.
8. The professional status of the independent auditor imposes commensurate professional obligations.

To round off their philosophy of Auditing, Mautz and Sharaf proposed a number of key concepts in auditing theory, these being evidence, due audit care, fair presentation, independence and ethical conduct (1961: 67). Today all auditors recognise these as the fundamental principles of professional conduct.

In essence, Mautz and Sharaf bridged the divide between the "trace, vouch, verify" methodology of early practitioners like Dicksee and Montgomery, to the more sophisticated system-based audit detailed by Fraser and Aiken (1981: 133) whereby indirect evidence is acquired through evaluation of the accounting system and its internal controls – and the assertions approach of Taylor and Glezan (1997). In this latter process, auditing is defined as "a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between these assertions and established criteria and communicating the results to interested users" (Taylor and Glezen, 1997: 3).

In auditing, "assertions" are the representations made by management and embodied in the financial statements with regard, for example, to the value of inventory or the accuracy of records and the operating effectiveness of systems. More recent literature emphasises the importance of an initial assessment of materiality and audit risk (Crous and Lamprecht, 2012: 13).

Mautz and Sharaf's completed monograph was published under the aegis of the American Accounting Association which had been established in 1916 (then as the American Association of University Instructors in Accounting). The objective, amongst others, was to encourage and sponsor accounting research and publish its results (Personal communication: GJ Previts, December 2013). This was later extended to auditing through the creation of the quarterly publication *Auditing: A Journal of Practice and Theory*. The proclaimed purpose of this Journal is to improve practice and theory, encourage communication and influence developments in auditing education (American Accounting Association, 2011).

It is widely accepted (Trotman, 2010) that American research into auditing came of age with Ashton's 1974 article on internal control judgements, thereby introducing a new field of research – that of judgement and decision making research, which led to many

similar studies in the 1970s and 1980s. Audit literature was greatly influenced and enhanced by "a theory-based research paradigm" (Trotman, 2010). The same cannot be said of auditing research in the United Kingdom (the UK). There, for example, Hopwood, Bromwich and Shaw believed audit research should be concerned with "public expectation to the real capabilities of the audit profession", "technical competence" and "audit independence" (1982: 5).

David Gwilliam pointed out in his 1987 survey that while interest in audit research was increasing in the UK, it was not matched by a similar increase in research output, particularly of an empirical nature (1987: 1). This contrasted poorly with the "surge" in research then being experienced in the United States of America (the USA). Admittedly, much of the professional interest in Britain was in the direct benefits of research to the audit process. This was still the case in 1997 when Power (1997: xii) wrote: "auditing remains an unfashionable research specialism". Mark Bunting is more severe. In the May 2013 edition of *Accountancy SA*, he notes that academic research "as a knowledge production mechanism has a secure place in many disciplines" (2013: 15). Knowledge production of this sort is seldom possible in accounting, where the discipline "has a long history of taking a normative rather than a positive approach to solving its problems". This shortcoming has resulted in standard-setting organisations solving problems through applied research in the politicised public arena, unfettered by concepts of academic freedom.

Since the publication of Gwilliams' survey, research output in the UK has increased, as evidenced on the ICAEW (Institute of Chartered Accountants in England and Wales) website. Predictably, little of it was of the non-technical kind or the kind espoused by Stephen A Zeff, Professor of Accounting at Rice University in Houston, Texas.

Zeff has been a prolific author on a wide range of accounting topics (Zeff, 2011) including topics in accounting history. This has resulted in his being one of the few two-time recipients – once in 1973 and again in 2001 – of the Academy of Accounting Historians' Hourglass Award. Basil Yamey is another double recipient. The Award is presented annually to people who have made significant contributions to research and related publications in accounting history. The objective of the Academy itself is to encourage research, publication in all aspects of accounting history as well as its

interrelationship with business and economic history (Academy of Accounting Historians, 2011).

While the early emphasis on research was into technical matters in accounting and auditing, the results Gwilliams' survey were not unexpected. In his watershed 1954 book, Nicholas Stacey opined that the accountancy profession in England was undermined by its "preoccupation with the present" (1954: xii), its ignorance of the past, and its weak anticipation of the future, but by 2004 the situation had changed, as the accountancy profession began to appreciate the usefulness of historical research to better understand the profession at an organisational level. In explanation of the change, Stephen P Walker of the Cardiff Business School, and himself a recipient of Scottish research funding, pointed out that in the 1990s the Scottish Committee on Accounting History of the Institute of Chartered Accountants of Scotland (ICAS) had funded research into several topics. The focus of one of these projects was a response to the continuing weakness in British accounting practice in terms of its organisation and, consequently, its professionalism. Another project sought to explain, in historical terms, why several attempts to rationalise the profession had failed.

Brian P West at the University of Ballarat in Victoria, Australia, expounded upon the professionalism of accounting and reviewed the state of historical research and its implications in an article for *Accounting History* (1996).

Freidson (quoted in Larson, 1977: xii) believed that 'a profession is distinct from other occupations in that it has been given the right to control its own work'. Abbott (1988) saw a profession as simply a division of expert labour.

One conclusion reached by West (1996: 99) was the challenge to accounting's conventional professional status, its closed nature, and its importance in the 'vocational continuum'. The challenge comprised socio-political factors such as social class, gender and politics. One constant appears to have been what Chua and Poullaos (2002) described as 'the classic emblem', the designation of chartered accountants which denoted both 'elite status and acceptance…' (2002: 411). Chartered accountant societies throughout the English-speaking world went to much trouble 'to protect this arbitrary and increasingly weighty signifier of professionalism' (2002: 411).

Chua and Poullaos (2002: 411) identified three groups of competitors: first, the unqualified men open to opportunity but lacking in qualification and scruple; secondly, those who were members of 'inferior non-chartered associations' (2002: 412); and thirdly, those who sought to contest 'the same geographical space' (2002: 412).

All these competitors functioned within an early globalisation triggered by the creation of the British Empire. Trade followed – and sometimes preceded – the flag and in a mundane world, needed to be accounted for by a Western (albeit colonial) accounting system of debit, credit, balance sheet and financial statement. Early globalisation has been dealt with by Belich (2009), and Magee and Thompson (2010). The latter authors consider the problems raised by globalisation, particularly the need to balance successful commercial transactions against the inevitability of complex racial relationships embedded in social interaction.

Belich notes that it was 'settlement not empire, that had the spread and staying power in the history of expansion…' (2009: 23). With European settlements came European systems of accounting, organisation and professionalism. In their book, *Accountancy and Empire*, Poullaos and Sian (2010) edited the contributions of experts in profession-state engagements between Britain, on the one side, and its colonies and dominions on the other (notably, Canada, South Africa, Australia, Nigeria, Malaysia, Sri Lanka, Jamaica, Trinidad and Tobago, India and Kenya).

Accounting history is an acknowledged branch of history. Until recently in South Africa, this type of research was neglected with few proponents despite the fact that in the March 1954 edition of *The South African Chartered Accountant*, GE Noyce had flighted a short overview article entitled, "The History of the Profession in South Africa" in the hope of stimulating interest. However, it was encouraging to see that the first call for papers for the June 2013 International Biennial Conference of the Southern African Accounting Association included Accounting History as a discrete field of research. Another early exemplar of this type of writing in South Africa was Williard E Stone who believed journals and ledgers provided "accurate and reliable information about social and economic conditions of earlier times" (1975: 409–25). Stone concluded by stating that research of this type helped in the study of the role of

accounting in the development of South Africa. This is an important conclusion as it links the profession to key elements like the economy.

The American economist, Douglas C North, has stated that "history matters" (North, 1990: vii). The question to this must be "why" and one of the answers must be that if people are not willing to learn from past mistakes, they are likely to make the same mistakes in the future. The standard example cited for this point of view is the defeat of Hitler's drive on Moscow in late 1941 by "Generals" Winter and Mud, in the same way these elements caused the defeat of Napoleon in the Russian campaign of 1812, some 129 years earlier.

In an interesting observation, Habermas (in Ryan, Scapens and Theobald, 2002: 33) believes social growth evolves as a result of instrumental and communicative action. Further,

> "through instrumental action individuals attempt to manipulate their environment to satisfy their needs and wants, and through communicative action they attempt to control their world through the institutionalisation of rules and norms".

There is thus a potential link between this idea and North's idea of institutions being 'the rules of the game' (1990: 6).

At a meeting with accounting colleagues recently, the author had reason to refer to what were previously known in the accounting profession as "articles of clerkship", now described as traineeships, and their invaluable nature in providing practical experience of auditing and accounting to the novice accountant. The same issue was debated in the South African House of Assembly in 1924–5 during the prolonged and ultimately unsuccessful attempt by elements within the accounting profession to have the South African Society of Accountants (Private) Bill passed. One of the reasons for the Bill's failure was the Society's stubborn stance upon the need for practical experience, which ultimately found legislative approval and exposition in Section 24 of the Public Accountants and Auditors Act No. 51 of 1951 (the PAA Act, 1951). This section of the Act provided for a period of five years of articles, reduced at the discretion of the Board

in the case of graduates and those who had "obtained satisfactory practical training and experience by way of service under articles outside the Union" (PAA Act, 1951: s24(3)).

North's view is simple: history is important because past, present and future are linked by the progression of society's institutions and an understanding of how institutions evolve is an important element in the development of economic theory and history. Current and future decisions are influenced by a past which is best understood from the perspective of institutional development. "Integrating institutions into economic theory and economic history is an essential step in improving that theory and history" (North, 1990: vii). North's view has implications for economic performance and this was clearly one factor in the lengthy process through which South African accountants and auditors secured statutory recognition and status for their profession. In the end, economic growth forced the establishment of an independent regulation of the accounting profession.

Leedy and Ormrod (2005: 161) have an equally simple view of historical research as

> "looking at a string of seemingly random events, the historical research develops a rational explanation for their sequence, speculates about cause-and-effect relationships among them, and draws inferences about the effects of events on individuals and the society in which they lived."

North's point of view echoes the sentiment expressed by the historian, Lord Acton, on the occasion of his Inaugural Lecture, delivered at Cambridge in June 1895, in which he declared history to be a subject with no beginning nor end; no beginning because man's past was a "dense web … woven without a void" and because "in society as in nature, the structure is continuous". There was no end because "history made and history making are scientifically inseparable and separately unmeaning" (Acton, 1969: 17).

In answering the question posed by the book entitled *What is History?*, EH Carr, one-time Senior Research Fellow at Trinity College, Cambridge, pointed out that the answer would, consciously or unconsciously reflect the observer's position in time. For some,

like the positivists, it was important to obtain the facts of a situation before coming to a conclusion. In the process, facts impinge upon observers from outside and are independent of their consciousness. "History consists of a corpus of ascertained facts … available to the historian in documents … like fish on a slab. The historian collects them, takes them home and cooks and serves them in whatever style appeals to him" (Carr, 1961: 3). The process is dispassionate.

This point of view has been challenged by, amongst others, Beverley Southgate, Reader Emeritus, University of Hertfordshire. He wrote that "traditional approaches to the role of history in education (particularly regarding the desirability of "objectivity" and "detachment") can be positively sinister, in the sense of fostering a dispassionate disengagement from what is going on" (Southgate, 2000: xi). He continued by saying that post-modern history is important in challenging "existing structures and values", thereby giving "history an ultimately moral role; for history is needed to underpin our future and the definition of that future thereby becomes the responsibility of individual historians. It is they themselves who must define why we should bother with the subject" (Southgate, 2000: xi).

Ryan, Scapens and Theobald point out that objective criticism is impossible. Instead, for them, rational reconstruction techniques provided an alternative point of departure and were pioneered by Lakatos (1970) and Popper (1959) who believed that "social scientific historical explanation" had two levels – internal and external. They continue:

> "Internal explanation relates to that component of history that can be explained within the terms of a particular methodology. External explanation relates to that component of history that is inexplicable in terms of that methodology. External history is idiosyncratic history in that it lies outside the scope of explanation by the chosen methodology. Any methodology can generate explanation although there are certain parameters that govern usefulness in this respect" (Ryan *et al.*, 2001: 182).

Southgate's comment about the limitless scope of history has some commonality with what the aforementioned Stephen A Zeff, currently a researcher into the international history of standard setting for company financial reporting, said at an informal lecture

to the staff of the Department of Accounting at Rhodes University in May 2007. His contention was that in the accounting profession there were many non-technical avenues for research into its personalities and its social and administrative past, but he also pointed out that such research needed to be done quickly before the profession's pensioners – possessing a vast institutional knowledge – died and its haphazardly archived paper-based records were shredded to make room for digital records.

Some professional accounting bodies have an awareness of their past and show a willingness, at least in part, to record aspects of that past. To mark its golden jubilee in 1978, the Australian Institute of Chartered Accountants published a history of its first 50 years (Malkovic, 2009) while the South African Public Accountants' and Auditors' Board produced something similar for its fiftieth anniversary in 2001 (Lockley, 2001). Arguably more promotional than historical in their presentation, both publications give a useful historical overview of their respective organisations. The Australian Institute announced its intention to produce an updated history towards the end of 2009 and in March of that year the South African Institute of Chartered Accountants circulated a Request for Proposal to write a history of the South African chartered accountancy profession (Terry, 2009). The Request listed a number of key requirements, among them, presentation "in a style that is interesting and easy to read" and of interest to the "layman who has an interest in business issues and people" (Terry, 2009: 4). In particular, the Request also stated that as the South African Institute of Chartered Accountants (SAICA) was a membership body, the history "should tell the members' stories and highlight the characters and their achievements" (Terry, 2009: 4). The Request also noted that a full history of the profession had never been attempted before and that while the SAICA head office and regional offices had "some material of historical significance, much of it [had] been lost and what was available was likely to be in the hands of individual members and firms" (Terry, 2009: 2). This incompleteness of source material hinders effective research, but Verhoef (2013: 164) notes the recent "systematic exploration" of material previously unavailable to the researcher.

The history envisaged by the Proposal is similar to that produced in July 2006 by Deloitte Southern Africa. Colloquially known as the "Deloitte book" and formally entitled *Of Ledgers and Legends – the Story of Deloitte Southern Africa*, the authors acknowledge that it is not a history "in the strictest sense, but a collection of insights

into the evolution of the profession [the] firm and some of the incredible people who contributed to our success today" [http://www.deloitte.com. Accessed 27/06/2013].

While a magnificent publication, with many photographs and anecdotes stretching from the 1890s to more recent events, such as what it was like auditing during the Rhodesian Bush War, and detailing the sporting prowess of many members of the firm, the book contributes little to an understanding of the events between 1913 and 1940 which deal with the move towards unifying the profession. For Deloitte, it was very much a time of internal growth and "business as usual". As one of the oldest firms in the profession, the story of Deloitte's growth through amalgamation with other firms and deliberate expansion emphasises the dynamics of a successful accounting firm in South Africa and the world. It is also a subtle form of advertising.

The historical reality is different. The South African Accounting History Centre (SAAHC), which is staffed by professional historians and attached to the Department of Accountancy at the University of Johannesburg, was formally opened in 2010. The SAAHC won the SAICA tender to write a history of the development of the Accounting profession in South Africa.

Amongst other important topics, the project envisages the investigation of the emergence of accounting societies in the four former British colonies – the Cape, Transvaal, Natal and Orange Free State. The project also details the interaction between state (dubbed by Verhoef, 2013, as the reluctant ally) and accounting societies in South Africa over a prolonged period of time which led finally to the Public Accountants and Auditors Act of 1951. In addition, the Director of the Centre, Professor Grietjie Verhoef, has emphasised the importance in their research focus of

> "the dynamic relationship between the accounting profession, business development and economic development of South Africa" (Verhoef, 2013: LinkedIn [accessed 08/07/2013]).

This research focus extends to

> "the regulatory environment in South Africa [and] also with other accounting environments such as other Commonwealth countries, Britain and the international professional community" (Verhoef, 2013: LinkedIn [accessed 08/07/2013]).

As such the Centre is set to revitalise research into South African accounting history (http://www.uj.ac.za [accessed 08/07/2013]).

As a footnote to the above – in conversation with Professor Alex van der Watt, Head of the Department of Accountancy at the University of Johannesburg, it became apparent that one of SAICA's requirements remains a popular history of the accounting profession in South Africa (Private Communication, 13/08/2013).

In Great Britain and the United States of America, there is a long tradition of business and accounting history, its first hundred years being celebrated by Miranti, Previts and Flesher's article 'The First Century of the CPA' (1996). Such history has been described as "simply that branch of economic history that finds its source material primarily in company records and takes as its starting point the entrepreneur and the firm rather than anything else" (Payne, PL, 1967, quoted in Allen *et al.*, 1978: 7).

A firm supporter of the development of economic history, FE Hyde was one-time Chaddock Professor of Economics at the University of Liverpool and later, of Economic History at the same institution. In his research into the potential links between economic theory and business history, he became critical of what he perceived to be a simplification of the behaviour of entrepreneurs by theorists and his conclusion was twofold; firstly "the economic theorist ought, by studying the facts presented by business historians, to leaven the argument and, where necessary continue the process of re-defining the theory", and secondly, "by the use of theory the historian will escape from the dullness of mere description and make his studies lively and worthwhile" (Hyde, FE, 1962, quoted in Allen *et al.*, 1978: 8).

An interesting approach to the importance of history was taken by Tony Malkovic in his article entitled, "History holds the key to the future" – in this case, the future of the Institute of Chartered Accountants in Australia (Malkovic, 2009). The article's point of departure was the *Australia 2020* Summit held in April 2008 in Canberra, an event billed as generating the best ideas to carry Australia through the challenges of the early 21st Century. One of the key concepts discussed was that of sustainability – that is: the ability "to meet the needs of the present without compromising the ability of future generations to meet their own needs" (WCED, 1987: 43). Malkovic's article details how the Institute of Chartered Accountants in Australia has grown in numbers since its golden jubilee in 1978 and the way it dealt with a variety of challenges and pressures by, for example, revising its statement on independence, introducing Continuous Professional Development (CPD) for its members, involving itself in international accounting initiatives like the establishment in the 1970s of the International Federation of Accountants and the International Accounting Standards Committee, which became the International Accounting Standards Board. In addition, the Institute has had a strong interest in tax reform and the creation of indirect taxation in preference to increased direct taxation.

The main thrust of Malkovic's article is that in the past the Australian Institute has remained consistently relevant to its members, users, Government and the profession internationally by responding appropriately to the challenges of the times. In continuing this form of "future proofing", based on past history coupled with a keen sense of the entity's social and ethical responsibilities, the Institute remains relevant into the 21st Century.

People with as diverse backgrounds as the members of the Australian Institute and Mac Maharaj, member of the African National Congress (ANC) and one-time South African Minister of Transport, agree that history is important. While the Institute hopes to use its success in the past as a springboard to a successful future, Maharaj's concern is that South Africans are not doing enough to develop their history, particularly with regard to recording the memories of key (and other) people. In an article entitled "Mine the precious asset of history", Maharaj writes:

> "Our knowledge about ourselves – our identity as a nation – depends on our understanding of our past and how others see us. It is worrisome that the study of our history takes such a low priority in our educational institutions" (Maharaj, 2009).

Perhaps the final word should be that of Marc Bloch. Bloch was the foremost French medieval scholar of his day and met his death while working for the French Resistance in 1944. He wrote:

> "The unquestionable fascination of history requires us to pause and reflect.
>
> It's [*sic*] role, both as the germ and, later, as the spur to action, has been and remains paramount. Simple liking precedes the yearning for knowledge … Readers of Alexander Dumas may well be potential historians who lack only training to find the purer and, to my way of thinking, the keener pleasure of true research.
>
> Moreover, this chain will be far from diminished once methodical inquiry, with all its necessary austerities, has begun. On the contrary, all true historians will bear witness that the fascination then gains in both scope and intensity" (Bloch, 1954: 7–8).

The brief survey presented above indicates that history is important to people.

THE HISTORY OF ACCOUNTING AND AUDITING IN SOUTH AFRICA

The history of accounting and auditing stretches far back into human civilization, but that of the modern period in South Africa begins in 1894 with the establishment in the Transvaal of the first professional accounting body created by South Africans – The Institute of Accountants and Auditors in the South African Republic. The history of the Public Accountants' and Auditors' Board and ultimately that of the accounting profession in South Africa is best considered in three successive stages:

1. 1894–1913, a period which saw the creation in South Africa of organised bodies of accountants and which ended in the first attempt to steer the Accountants' Registration (Private) Bill through the new Union Parliament.

2. 1919–40, the period between the World Wars in which a second unsuccessful attempt was made to create legislation for the regulation and registration of accountants in South Africa by means of the South African Society of Accountants (Private) Bill. There were also a number of other unsuccessful attempts to pass private members' bills to facilitate the registration of accountants throughout the Union. In 1934 and 1936, Dr Hjalmar Reitz introduced bills which did not even get beyond their first readings. Also in 1934, the then South African Minister of Finance, NC Havenga, provided for the creation of the Accounting Profession Commission. While the Commission made some positive recommendations, the Government of the day – the Fusion of the South African Party and Hertzog's National Party – did not act upon them and it was left to a Member of Parliament, PV Pocock, to use the Commission's recommendation as the basis for another Private Bill to be presented to Parliament in August 1938 – the Accounting Bill. The Bill was unfortunately timed and the outbreak of the Second World War put paid to any chance of success it might have had in the 1940 session. On the positive side, this period also saw the successful passage of two Union-wide Acts, these being the Companies Act of 1926 and the Chartered Accountants' Designation (Private) Act of 1927.

3. 1940–51, a period which culminated in 1951 in the creation of the Public Accountants' and Auditors' Board (PAAB) by means of the Public Accountants and Auditors Act. This Act provided for statutory uniformity in that only individuals registered with the PAAB could hold themselves out to the public as accountants and auditors in public practice. This legislation had been preceded by a number of important extra-parliamentary steps, notably the creation on 1 January 1946 of the Joint Council of the Societies of Chartered Accountants of South Africa, the revival of the recommendations of the 1934 Commission and a conference in Bloemfontein in April 1947 at which representatives of accounting bodies met and produced a draft Bill based on the 1934

recommendations. The newly elected Government of the day, the National Party, at the beginning of four decades in power, did not believe the Bill provided sufficient protection for the public and countered with the draft Auditing Act of November 1949. According to one source, this legislation "would have placed control in the hands of Government officials and put the auditor in the position of informer and destroyed the fiduciary relationship between the auditor and the client" (Puttick and Van Esch, 2007: 6). Further discussions among the accounting societies on the one hand, and between representatives of these societies and the Government on the other, produced a compromise solution at a final conference in November 1950 and a draft Bill which followed the designated route through Parliament and emerged as the Accountants and Auditors Act (Act No. 51 of 1951). This Act, amended on a number of occasions, remained in force until 2005 when it was replaced by the Auditing Profession Act, 2005 (Act No. 26 of 2005).

THE THESIS IN THE CONTEXT OF THE PROFESSION

A PROFESSION IN TRANSITION

As regulated by the Independent Regulatory Board for Auditors (IRBA), formerly the Public Accountants' and Auditors' Board, the accounting and auditing profession in South Africa has been in a state of transition in the early 21st Century. This was clearly underlined in the Report to the Minister of Finance, dated 30 September 2003, from the Ministerial Panel for the Review of the Draft Accountancy Profession Bill (Ministerial Panel, 2004). The largely self-regulatory nature of the profession has been curtailed subsequently in the new Auditing Profession Act which resulted from that Bill.

A CRISIS OF CONFIDENCE

The reevaluation of the PAAB and its activities resulted from a crisis of confidence in the profession which had been fuelled by a succession of corporate failures, both internationally and in South Africa. In many instances, a significant element in that failure was fraud – that is: an intentional misstatement of financial records and statements to cover theft or the misuse of corporate assets, coupled with an apparent inability by the auditors to uncover these acts.

In his national budget speech on 20 February 2002, the then South African Minister of Finance, Trevor Manuel, highlighted a number of common elements in these failures, including the non-existence of a culture of corporate governance, negligent and reckless management of corporate entities, ineffective auditing and questionable audit independence arising from a lack of separation of audit and consultancy services provided to the same client (Manuel, 2002: 23).

The American Independence Standards Board has defined independence as the "historic soul of the auditing profession" (1998). Questioning the quality of its independence is thus a severe, if not the severest, criticism of the profession. But a scrutiny of many corporate failures shows the independence of their auditors was fatally compromised in a number of ways, including the acceptance of inappropriate accounting policies which converted losses into gains and the signing of unqualified audit reports upon financial statements which were known to be significantly flawed (Naidoo, 2002: 114).

In an interesting reflection of the complexity of the issue, Reuters reported on 8 July 2013:

> "in a rare show of bipartisan unity, the US House of Representatives voted on Monday to block an auditor industry watch-dog from forcing companies to switch auditors, a regulatory move that could break up some business relationships over a century old … Dozens of US companies have had the same auditor for 25 years or more. Conglomerate General Electric Co has had the same auditor since 1909, consumer goods maker Procter and Gamble Co, since 1890."
>
> (http://www.reuters.com/article/2013/07/09/house-auditbill-idUSL1N0FE1YW20130709 [accessed 01/08/2013]).

In South Africa, the new Companies Act has required auditor rotation from its effective date of 1 May 2011.

The most notable failures to date in South Africa have been Masterbond in the early 1990s, Macmed in 1999, LeisureNet in 2000, Regal Treasury Bank in 2001 (Naidoo,

2002: 111) and Fidentia Asset Management in 2006–7. In the latter case, the entity's auditor conspired actively with top management to commit theft, money laundering and a variety of other crimes to defraud its investors of millions of rands (Yeld, 2008). In all cases, ordinary investors and employees were amongst those who suffered significant financial loss.

A further concern is the inherent tension that exists in the situation where company directors may be indirectly involved in the appointment of its auditors, although the true audit clients are the company's shareholders (Wixley and Everingham, 2005: 103). In reality, the auditor could have little contact with these owners, other than at the annual general meeting. Even then, there may be so many shareholders that communicating with them all at a single meeting is problematic. In South Africa, the appointment of the auditor in terms of the new Companies Act of 2008 (effective from 1 May 2011) is the purview of the small but critical sub-committee of the board – the audit committee – populated and chaired by independent non-executive directors (Stein, 2011: 145).

The cumulative result of these shortcomings and sensational exposés has been a waning of public confidence in the auditing profession and in the reliability of audited financial statements (Nel Commission, 2001). The Nel Commission report came just before the news broke in 2002 of the Enron-Andersen debacle in the United States of America. The concerns about auditors' independence are thus not unique to South Africa and are apparent elsewhere in the world (Monks and Minnow, 2004: 47). Understandably, this loss of public confidence is an ongoing worry to the profession as well as to its professional regulators.

THE INSTITUTIONAL PERSPECTIVE

In terms of Douglass C North's analysis of institutions and institutional change as presented in his book *Institutions, Institutional Change and Economic Performance* (1990), institutions represent society's "rules of the game" and a way to reduce uncertainty by giving an accepted framework to economic and other human interactions (North, 1990: 3). North makes a number of observations which can be applied to entities like the IRBA. The first is that organisations and economic constraints, such as time and other limited resources like expertise, determine the opportunities in a society

(here, the need to provide cost-effective audits). As a result, organisations, such as accounting and auditing firms, arise to take advantage of those opportunities. As organisations develop and interact with their clients and regulators, what they do and how they do it (with regard, for example, to evidence of financial irregularity) impacts upon norms, causing them to evolve, and this changes the "rules of the game". Secondly, knowledge is asymmetrical with one party in a transaction (for example, the audit client) knowing more about the financial and other transactions underlying a set of financial statements than the auditors do.

And finally, the cost of information (the audit report produced by a registered auditor, for example) is key to the costs of transacting, which in turn comprise the costs of measuring the valuable attributes of what is being exchanged as well as the cost of protecting rights and policing and enforcing agreements. A "clean" audit report should send a strong signal to the market as to the financial probity, and hence value, of the entity to which the report applies as well as the stewardship of the directors in protecting the economic rights and property of investors, creditors, employees and other interested parties. "These measurement and enforcement costs are the sources of social, political and economic institutions" (North, 1990: 27).

North's idea of "the rules of the game" is important and includes both "formal" and "informal" constraints. In South Africa, the latter was carried forward in the idea of corporate governance informed by ideas of "participation and inclusiveness" (King, 2002: 108). Adherence to the principles of corporate governance, as detailed in the King Report of 2002, was not a legal requirement in South Africa (Wixley and Everingham, 2005: 8) but the Corporate Laws Amendment Act (Act No. 26 of 2006) saw the inclusion of some significant elements of governance, most notably the establishment of audit committees as part of the board structure in "widely held companies". The new Companies Act (2008) does away with the concepts of "widely held" and "limited interest" companies in favour of "profit" and "non-profit" companies. The former are categorised as either state-owned, public, private, or personal liability companies. In terms of Companies Regulation 28 of the new Companies Act, state-owned and public companies must be audited and must establish audit committees. Companies that achieve a certain public interest score are also required to be audited. Other companies can choose whether or not to be audited and

set up such committees. Inevitably, this will mean a decreased number of audit engagements, though not as few as initially anticipated.

While a third King Report was completed in 2009, its recommendations have not been adopted completely into law, despite the statement that "King III applies to all entities regardless of the manner and form of incorporation or establishment" (King, 2009: 19). While King III is not law, the process of Corporate Law Reform in South Africa, which produced the new Companies Act, bound itself to promoting compliance with the Bill of Rights as well as "encouraging transparency and high standards of corporate governance" (Companies Act, 2008: s7). In addition, the obvious "bottom line" benefits of good corporate governance will encourage entities to apply these principles.

This idea of inclusiveness is not new. The 19th Century American economist and social commentator, Thorstein Veblen, wrote in 1899 in his book *The Theory of the Leisure Class: an Economic Study of Institutions*

> "Any community may be viewed as an industrial or economic institution, the structure of which is made up of what is called its economic institutions. These institutions are habitual methods of carrying on the life process of the community in contact with the material environment in which it lives" (1899: 145).

In 1978, Wilber and Harrison described the central idea of institutional economics in three parts: holistic – because it concentrated on the links between parts and the whole; systemic – because the parts make a coherent whole and need to be understood in that context; and evolutionary – because such is the nature of human society. This idea has been supported by other commentators. Samuels (1995), for example, emphasised the idea of an economy as a "correlative system of social control" and made the point that "business would not be business without the requisite legal and non-legal social controls".

Within this context, the auditor has a publically perceived responsibility, or as Gloeck and De Jager (Preface, 1993) put it, is "in an exceptional position in the business world".

THE AUDITOR'S RESPONSIBILITY

The nature of the auditor's responsibility beyond the law has been widely interpreted. At the inaugural meeting of the Public Accountants' and Auditors' Board in October 1951, the then South African Minister of Finance, NC Havenga, referred to the profession as a "brother keeper" (PAAB Archives, Board Minutes, 24 October 1951: B1–B4). Lancaster's definition (1927: 3) of the auditor saw "an independent critic" whose task it was to determine either the accuracy or fallacy of a balance sheet at a particular point in time and hence the probity of an entity's financial statements. Gloeck and de Jager (1993: 4–6) identified eight separate interpretations of the auditor's role, among them the perception that the auditor is a "watch-dog", a "tool" to ensure accountability and a "reviewer" of the underlying agency relationship in a company where shareholders, as principals, appoint directors as their agents to manage their company. In a foreshadowing of the establishment of corporate governance, Sherer and Kent (1983: 93) suggested that audits should test the efficiency of an entity's operations, the quality of its management information systems and its social behaviour. Along the same line, Tinker (1985: 205) theorised that auditors should adjudicate social conflicts between corporate entities and the communities within which such entities operate. Lee (1993: 13) saw the audit function in a state of crisis as a result of the "expectation gap" – that is: the difference between the professional (and legal) point of view and that of the public at large. Stobie (1974: 169) outlined the new, yet growing, body of literature dealing with the accountant's social responsibility towards environmental issues, such as pollution. Power (1997: xii), however, points to the danger of over-auditing where auditing is used as a "robust policy tool" but one which often fails.

THE DEFINITION OF "AUDIT"

Neither the South African Companies Acts of 1926 and 1973 nor the old Public Accountants and Auditors Acts (1951 and 1991) defined either "auditor" or "audit". The Cape Companies Act of 1892, as presented by H Tennant, similarly contained no definition of an auditor. Auditors themselves were allowed to be members of the company but this Act stated in Paragraph 85 of its Third Schedule that "no person is eligible as an auditor who is interested *otherwise* [my italics] than as a member in any transaction of the company" (Tennant, 1894: 117). In present-day terms, a direct financial interest in an audit client would represent a self-interest threat to the auditor's

independence and require disposal of the shareholding (Code of Professional Conduct, 2010: ET 290.100–6). The 1973 Companies Act did, however, at Section 300, list 10 duties the auditor had to fulfil with regard to the "annual financial statements and other matters". The previous statutory body charged with the safeguarding of the financial interests of South Africans through regulating the services provided by registered accountants and auditors – the Public Accountants' and Auditors' Board – accepted a narrowly defined objective of an audit as a process "to enable the auditor to express an opinion as to whether or not the financial statements fairly present in all material respects the financial position of the entity at a specific date" (South African Auditing Statement, *The Objective of and General Principles Governing an Audit of Financial Statements, SAAS* 200, 1996: 200.02).

This professional definition is different from those suggested by the authors quoted above and helps to explain the "expectation gap". This "gap" is the difference between what the auditor is required to do in terms of law and professional standards and what ordinary members of the public expect of the auditor, usually to uncover fraud (Gloeck and de Jager, 1993: 48). Often the difficulty for the auditor is to differentiate between fraud (deliberate) and error (mistake), and with regard to both, their extent and hence materiality as fraudulent activities are often carefully concealed. Fraud, by its nature, must always be qualitatively material and its consideration at that level and quantitatively is key to the audit process in the period post 2002.

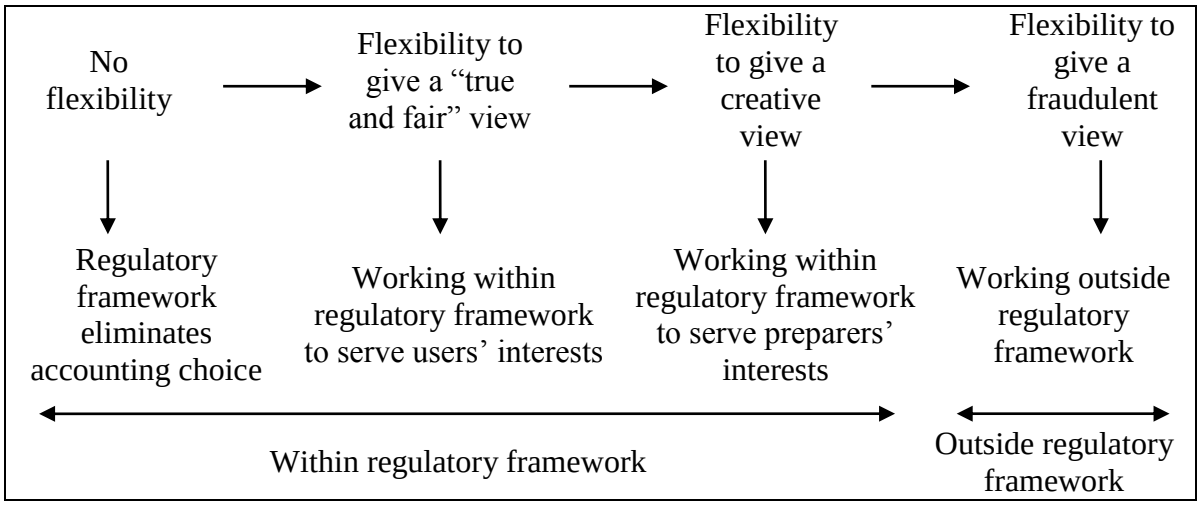
Sometimes accounting misrepresentation is difficult and complex to determine. This arises from the concept of "creative accounting", a term that was first coined in about 1986 and used in a book by Ian Griffiths called *Creative Accounting* (1986). While popular as a term, there is considerable debate as to what "creative accounting" actually means. For MJ Jones, editor of *Creative Accounting, Fraud and International Accounting Scandals* (2011), creative accounting means the exploitation of the pliant nature of accounting in the preparation of financial statements within a regulatory system, for the benefit of the preparers instead of the users of these statements. Creative accounting thus works within the system and is not illegal (Jones, 2011: 5).

He points out: “It is able to do this because of the fundamental need for financial reports to be flexible so as to give a true and fair view of accounts. All companies are different and operate in different environments”.

Jones illustrates this point in a table which shows the progressive “decline in accounting from no flexibility to flexibility to give a true and fair view, to flexibility to give a creative view, to flexibility to give a fraudulent view” (2011: 6). At one end of the table, a rigorous regulatory framework eliminates accounting flexibility, while at the other a complete lack of an acknowledgement of the framework gives rise to fraudulent activity. Creative accounting lies between the two and is insidious as it operates within the regulatory framework.

TABLE 1.1

THE ROUTE TO FRAUDULENT ACCOUNTING



Fraud is a criminal activity determinable in a court of law.

The Auditing Profession Act of 2005 has defined an “audit” in such a way that factors other than materiality are considered. In terms of Section 1 of this Act, an audit

“means the examination of, in accordance with prescribed or applicable auditing standards

(a) financial statements with the objective of expressing an opinion as to their fairness or compliance with an identified financial reporting network and any applicable statutory requirements; or

(b) financial and other information, prepared in accordance with suitable criteria with the objective of expressing an opinion on the financial and other information."

This is not to suggest that materiality no longer has a role after 2005. It has an important one to fulfil, but it is an elusive concept and, quantitatively, differs from one audit client to another. An audit client with a turnover of R100 million will be less concerned with an error of R1000 than a client with a turnover of R1 million. The concept of materiality is usually defined as information, which by its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements (*A Guide through International Financial Reporting Standards*, 2012: The Conceptual Framework, QC11).

MATERIAL VERSUS REPORTABLE IRREGULARITY

Previously, the materiality of potential errors or deliberate misstatements defined the responsibility of the auditor. It is at the point where the occurrence of what was previously known as a "material irregularity" is a probability, that audit independence and a responsibility to the public on one hand have the potential to collide with the opinions of a company directorate concerned with self-interest on the other hand. The reason for this is simple. In terms of previous legislation, the client's failure to correct a material misstatement to the auditor's satisfaction, required the auditor to report the issue to the Public Accountants' and Auditors' Board. In terms of Section 20(5)(c) of the Public Accountants and Auditors Act, 1991, the Board had a wide discretion as to how the information was managed and disseminated thereafter. A critical point to understand here is that the auditor had no obligation to report, such report being dependent upon the auditor's assessment of the materiality of the irregularity. Such an assessment could be heavily influenced by subjective issues, such as retaining the audit.

The new Auditing Profession Act has replaced the concept of a "material irregularity" with that of a "reportable irregularity". The elements of the two forms of irregularity are similar, but in the latter the auditor has no discretion; an immediate report to the

Independent Regulatory Board for Auditors is mandatory where the irregularity involves fraud or theft at management level, regardless of its level of materiality. As von Wielligh states,

> "All irregularities of this nature have to be reported, even if no financial loss was or could be suffered by any party. Similarly, a material breach of a fiduciary duty has to be reported, even if no consequential financial loss occurred or is likely to occur" (von Wielligh, 2006: 10).

(The word "material" is not defined in the Act but "reportable irregularity" is.) The Regulatory Board has no discretion and in terms of Section 45(4) of the Auditing Profession Act "must… notify any appropriate regulator in writing of the details of the reportable irregularity".

In terms of Section 52(3) of this Act, the penalty for an auditor who fails to report a reportable irregularity and is found guilty of such misconduct is a severe fine or imprisonment "for a term not exceeding 10 years or to both a fine and such imprisonment". In such circumstances, most auditors are conservative in their interpretation of what constitutes a reportable irregularity and would rather report anything suspicious than not do so. As predicted by von Wielligh (2006: 11), the IRBA received a flood of such reports; in the period 25 July to 14 November 2006, it received 347 reports from registered auditors (Personal Communication: B Agulhas, November 2006). As shown in the following extract from the *IRBA Annual Report for 2012* (2012: 02), the number of reports has stabilised to about 800 per annum:

TABLE 1.2

REPORTABLE IRREGULARTIES: 2008–12

Reportable Irregularities received	**2012**	**2011**	**2010**	**2009**	**2008**
Total RIs received (first reports)	814	806	1 108	1 125	780
• Second reports – continuing	491	468	674	669	424
• Second reports – not continuing	312	328	340	407	316
• Second reports – did not exist	11	7	11	22	19
• Second reports – other	-	3	83	27	21

One of the concerns of the period 1949–50 leading up to the creation of the PAAB and highlighted by Puttick and Van Esch, was that a heavy handed approach would lead to the perception of the auditor as an "informer" and destroy the "fiduciary relationship between the auditor and the client" (2009: 6). As Von Wielligh notes (2007: 20), prior to the new Auditing Profession Act of 2005, auditors only needed to report irregularities to the regulator 30 days after the auditor had reported them to management and management had failed to allay the auditor's concerns within that time frame. With the new Act – and where the auditor believes a reportable irregularity is taking place – the obligation is to report this immediately to the regulator. "This change in reporting requirements can place strain on auditor/client relationships, particularly where the auditor was under a mistaken impression that a RI (Reportable Irregularity) was taking place whilst this was not actually the case and consequently reported it directly to the IRBA" (Von Wielligh, 2007: 20). It is probable that the Act intended to weaken potentially unhealthy auditor-client relationships. One must also question whether the auditor-client relationship was ever intended to be a fiduciary one or, in the modern period at least, one based upon statutory necessity. This needs further research. Vermaak did some original work in 1976 – which is discussed in the conclusion – but it needs revision.

The profession, both in the United States of America and South Africa, has been quick to separate the audit from the advisory function, thereby limiting the auditor's exposure to potential "non-independent" situations. Codes of conduct, too, have been revised to

detail a variety of threats to independence, among them self-interest, self-review, advocacy, familiarity and intimidation (SAICA Code of Professional Conduct, 2010: ET10). In addition, the issue of updated and upgraded auditing standards has enhanced the quality of audits and the potential for discovering irregularities has increased by a careful process of risk assessment.

But the anticipated costs were high – some preliminary estimates suggested as much as a 45% increase in audit fees would be needed to meet the increase in time spent on the audit implementation of the new standards (Personal Communication: P Austin, Registered Auditor with a "Big Four" Firm, 2004). Understandably, firms have been reluctant to divulge actual amounts. Moreover, there are still concerns as to how the profession can be regulated closely in practice to prevent ineffective audits and collusion with, or dominance by, directors in situations where potential irregularities exist. The intention is always to offer enhanced protection to shareholders and other stakeholders. While corporate governance is one avenue, no quick or easy solution is apparent and the issues are likely to keep the profession and its regulators focussed upon them for some time to come.

OBJECTIVES OF THE RESEARCH

PRIMARY OBJECTIVE

The thesis' broad primary objective is an examination of the process and progress (or lack of it) made in Parliament in the period 1913–40 towards the creation of the Public Accountants' and Auditors' Board (PAAB). It is not meant to be a history of South Africa. But the process took place against a backdrop of political and economic events of considerable importance and which inevitably impacted upon that process. At a Presidential address made in September 1965 at the Australian National University, Canberra, WK Hancock made the famous comment: "South Africa is microcosmic. Its history contains all the conflicts of our time" (Hancock, 1965: 1).

Krüger declared the period from 1910–48 as "one of the most significant in the history of South Africa" (Krüger, 1958: Introduction). Events since 1990 suggest otherwise, but in Krüger's day the events that contributed to this significance included the union of former British Colonies and Boer Republics, who were former enemies, the

development of constitutional independence, an expanding economy and the increasing importance of the mines to that economy and the rise of both Afrikaner and Black nationalism.

Thus, the fundamental approach taken in this thesis has been – as far as is possible – to combine the three strands – politics, economics and parliamentary process into a flow of events and interpretation.

The South African Regulatory Board for Auditors (IRBA) and its predecessor, the Public Accountants' and Auditors' Board (PAAB), were established by Parliament with the purpose of regulating public accountants in practice. Accountants are important in any economy, both for accurate recording and presentation of financial information, and as auditors, for reporting upon the probity of such information in a corporate context.

In a paragraph attached to its e-mails to members and others, the IRBA (communications@irba.co.za, 2 June 2011]) interprets its responsibility as being

> "to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and process. The CFAS [Committee for Auditing Standards] assists the IRBA to develop and maintain auditing pronouncements which are internationally comparable".

The significance of the auditor in the economic wellbeing of the nation is thus well established.

The accounting profession shoulders a political and social responsibility delegated by Parliament and functions within an economic framework.

SECONDARY OBJECTIVE

The present period of transition from the PAAB to the IRBA offers an opportunity as a minor secondary objective, to go back to an earlier period of organisational change

through an examination of the minutes of the debates (and related reports) in the House of Assembly of the Union Parliament in the period 1913–40 to determine how the game was played by its participants or organisations, both in the literal sense of parliamentary rules and regulations, and in the sense of North's institutional economics. For North, organisations are groups formed for specific purposes and may play by the rules, outside of the rules or on the edges of the rules to achieve those purposes – that is: usually to win the game "by a combination of skills, strategy and coordination; by fair means and sometimes by foul means" (North, 1990: 5).

In the context of this thesis, Parliament made the rules and, in 1951, devolved some of this authority to regulate the profession to the Public Accountants' and Auditors' Board. The accounting societies are the organisations, created by individuals, with a twofold purpose: firstly, to take advantage of the opportunity the economy provides and offer businesses – such as companies, partnerships, trusts and sole proprietors – their practical skills of accounting and auditing for a fee; secondly, to ensure that they influence – to their advantage if possible – any establishment of a centralised entity by Parliament to register members of the profession and to regulate their activities.

Answers will be sought to the following questions:

(i) Why did the process take nearly 40 years to complete when South Africa's brother dominions of Australia and New Zealand completed the unification of their accounting societies within a short period of time?

(ii) What was the impact on the process of landmark legislative enactments such as the Companies Act of 1926 and the Chartered Accountants' Designation (Private) Act of 1927?

(iii) How did the prevailing economic and political environment impact upon the process of unification? For example, it appears that the promoters of the Society of South African Accountants (Private) Bill of 1924 were unfortunate in the timing of the passage of the Bill through Parliament. They began their attempt in February 1924 when the South African Party was in control of both the Senate and the House of Assembly and after fits and starts saw it flounder 20 months later in September 1925 when the reality of a new Labour-National Party Pact Government impacted significantly upon the parliamentary debate.

(iv) Who were the "winners" and the "losers" in the process to 1940?

(v) Is it possible to discern in the process any of the major elements of North's institutional economics?

RESEARCH METHODOLOGY

OBJECTIVE 1

The methodology used in writing this thesis was qualitative critical analysis to develop a broad and general South African political and economic background, using generally accepted secondary source material recorded in the Reference List. The research then progressed to a detailed review of primary material – the minutes and proceedings of the various parliamentary select committees – and the one commission – established in the period 1913–40 to investigate the unification of the accounting profession. As select committees were appointed by, and adopted to, the House of Assembly as part of the process of parliamentary consideration of nascent legislation, it was also necessary to place the select committees in context and detail and analyse the debates they generated in the House.

Inevitably, a narrative style interlinks the analysis. As Tom Holland points out in the preface to his popular history of the Roman Republic, *Rubicon*:

> "Following a lengthy spell in the doghouse, narrative history is now squarely back in fashion – and even if, as many have argued, it can only function by imposing upon the random events of the past an artificial pattern, then that in itself need be no drawback" (Holland, 2003: xxvii).

Indeed, some notable texts on South African history combine narrative with analysis of varying depths. This was George Cory's approach in his five-volume *The Rise of South Africa, from Earliest Times to 1853* as well as the style apparent in Frank Welsh's *A History of South Africa* published by Harper Collins in 2000. One of the most prominent exponents of the narrative-analytical style of South African history is TRH Davenport whose *South Africa: A Modern History* has run to six editions – 1977, 1978, 1987, 1991 and 2000 (in addition, the 1978 edition went through four printings in that year alone).

South African history has an undeniable attraction and has resulted in the continuous publication of general texts, such as Robert Ross' *A Concise History of South Africa* (1999), the *Reader's Digest Illustrated History of South Africa: The Real Story* (1995), Omer-Cooper's *History of Southern Africa* (1988) and Maylam's *A History of the African People of South Africa: From the Early Iron Age to the 1970's* (1986), all of which satisfied a need for a "quick" history before the advent of Wikipedia.

Post Wikipedia, the process continues with *New History of South Africa* (2007) edited by Giliomee and Mbenga, and Volume 1 of *The Cambridge History of South Africa* (2010). The latter is an ambitious project to cover in two volumes the history of South Africa from 2000 years ago to 1994.

Economic historians, too, have contributed to the continued interest in South Africa with the publication in 2007 of Charles Feinstein's *An Economic History of South Africa: Conquest, Discrimination and Development*. In economic history, analysis is greatly facilitated by the availability of an increasing volume of quantitative data that lends itself to such analysis through the application of statistical tools. One only has to refer to that invaluable mine of data that many have quarried beneficially – *Union Statistics for Fifty Years, 1910–1960*. The existence of this valuable primary data is also testimony to the growing sophistication of the South African state after Union in the period 1910–40.

But, while statistical tools and quantitative methods have a definitive role to play in economic history, Hicks (1969: 1) points out that the further back the past, the less reliable the data, and that the economic aspects of life then were less differentiated than they are today.

Hicks alludes to the view that economic history is seen as a process of specialisation and points out

> "the specialisation is not only a specialisation among economic activities, it is also a specialisation of economic activities (what are becoming economic activities) from activities of other sorts. This is a specialisation which is not yet complete and can never be complete; but it has gone far enough for us to imitate

> it in our studies. We contract the boundaries of our subjects, and of our sub-subjects, to make them more manageable; and we are enabled to do this because our academic specialisation corresponds to something which is in fact happening in the "real world". But it is not all that is happening in the world; we suffer, and we know that we suffer, by getting so far apart. A major function of economic history, as I see it, is to be a forum where economists and political scientists, lawyers, sociologists, and historians – historians of events and of ideas and of technologies – can meet and talk to one another" (Hicks, 1969: 1–2).

On the other hand, Rider (1995) espouses the traditional view of economic history, shedding light on the concepts, theories and conceptual analysis that the study of economics uses to determine human behaviour and create explanatory theories to explain that behaviour. There are five important elements for Rider in the study of economic history. Firstly, economic history places reliance on written sources and unwritten aspects. With regard to the latter, aspects of importance comprise elements such as farming practices, diets, household arrangements and other facts dealing with day to day living.

Secondly, economic history is important in social and political contexts. Rider writes "historical experience [is] a developmental process occasionally interrupted by non-evolutionary shocks and events, both natural and man-made. No economy can be separated from the society in which it is located" (Rider, 1995: xi). Thirdly, the reality is that some decisions improve the quality of life for some, while others result in a decline in the quality of life. Fourthly, industrialisation has followed different patterns in different countries and has done more to increase open commerce, "material productivity" … than any other behavioural or organisational change. Finally, industrialisation and the market system have come to dominate economic activity.

OBJECTIVE 2

The methodology used in pursuit of objective 2 comprised identification of recognisable elements in institutional economics and by analysis and interpretation to understand them in the context of this thesis. In particular, any evidence was sought of

an evolutionary trend in the procedures and rules of the Union Parliament in its dealings with the Accountants Bills in the period 1913–40.

Institutions fulfil a major role by establishing a level of stability (but not efficiency) in human interactions (North, 1990: 6). The uncertainty in exchange results from transaction costs and especially the cost of information acquisition. As a representative body, Parliament, through its third-party enforcement, provides the stability for economic growth. The critical role of institutions in ensuring stability is reflected in the administrative certainty that underpinned the development of the accounting profession.

In the watershed paper, "The Problem of Social Cost", Coase (1960: 22) proposed that when it is costless to transact, the efficient neoclassical equilibrium will be obtained. Institutions are thus a means of efficient economic exchange, given the presence of transaction costs, and thus play no independent role in economic performance. North's response to this approach disregards the fact that institutions are not always established to be efficient. Formal rules are often created to serve the interests of those with the bargaining power or sufficient incentive to devise them (North, 1990: 16).

North argued that the role and influence of interest groups is related to the degree to which institutions have integrated the price of voicing opinions (North, 1990: 111). Parliament in 1913 priced the introduction of private bills to strengthen its role in the process.

What is important is the historical progress of change and the interaction between organisations and institutions. The institutional environment determines which organisations come into existence and how they progress. In turn, the organisations that are created, through pursuing their objectives, influence how the institutional framework evolves (North, 1990: 5).

The use of institutions as tools for economic analysis has been criticised for its lack of a theoretical foundation. The main empirical methodology of institutional economics is the study of actual institutions and how they function within a societal framework. Instead of an analysis of the static models of a perfectly functioning market, an

institutional economics inquiry determines how a network of institutions arises endogenously to regulate market transactions (North, 1990: 11).

SOURCE MATERIAL

There were five providers of the primary source material used in developing this thesis. The Cory Library at Rhodes University in Grahamstown provided both primary and secondary sources, while primary material was made available both by the National Library in Cape Town and the archives of the former Public Accountants' and Auditors' Board (now the Independent Regulatory Board for Auditors) at Emerald Boulevard, Modderfontein, Johannesburg. The Institute of Chartered Accountants in Australia and the New Zealand Institute of Accountants provided access to documentation like the Royal Charter of 1928 as well as various enactments and histories.

The Cory Library has copies of the minutes and proceedings of the appropriate committees and the single commission that were printed, on instruction, by the Government Printer of the day. In addition, Cory Library has a complete set of the Debates of the House of Assembly of the Union Parliament for the period 1913–40 as well as a copy of the Transvaal Ordinance of 1904, which together with the Natal Act of 1909 were considered by many at the time as model pieces of legislation in the regulation of the accountancy profession in those two provinces that should serve as the foundation for Union-wide legislation. The Ordinance was made available by the Dictionary Unit for South African English. The minutes of the select committees, commissions and Assembly debates contain almost *verbatim* reporting of the proceedings and, as such, present valuable insights into the motivations of the individuals involved.

The National Library in Cape Town provided copies of key (and rare) documents which Cory did not possess, in particular the Private Bill of 1913 and the Natal Act of 1909 and a variety of other primary source documents which are listed in the reference section.

The archives of the Public Accountants' and Auditors' Board contain much information post-1951 – in particular, minutes of Board and Executive Council meetings – but

inevitably with much reference to the period prior to the enactment. These early meetings were minuted *verbatim* as seems to have been the practice of the period and contain a veritable treasure trove of information worthy of facilitating research on a number of topics.

It should be noted that an initial survey of possible primary material revealed little of it had survived the passage of time. The most complete materials available were the records of select committees, parliamentary debates, bills and acts. The research was developed with this in mind. However, a new archival depository was established recently – the South African Accounting History Centre (SAAHC). Much of its material has still to be catalogued, but a visit in September 2013 revealed Council Minutes of Meetings of the:

- Cape Society of Accountants – from 1907–64;
- Transvaal Society of Accountants – from 1916–66 (with gaps);
- Natal Society of Accountants – from 1946–95 (which is beyond the scope of this thesis).

Any Minutes for the Orange Free State Society had still to be catalogued and were not yet available.

The approach thus adopted has been to include primary material acquired from the SAAHC, where appropriate, in the main body of the thesis.

CONCLUSION

In the period 1951–2005, the profession was regulated by the Public Accountants' and Auditors' Board established by an Act of the Union Parliament. The creation of this Board was the result of nearly four decades of effort on the part of individual groups of accountants on the margin, by their provincial societies and finally the state itself. The passage of the new Act in 2005 which transformed the PAAB into the Independent Regulatory Board for Auditors (IRBA) was largely a state-sponsored initiative, but one which was initiated in response to the loss of public confidence in the ability of the profession in South Africa to conduct effective audits. More specifically, it could be argued that the public was concerned that the profession had lost sight of an important

responsibility first established in Section 21(1)(h) of the old 1951 Act. This section required the PAAB "to take any steps which it may consider expedient for the maintenance of the integrity, the enhancement of the status and the improvement of the standards of professional qualifications of accountants and auditors".

The period chosen for examination begins in 1913, the year in which the four main provincial accountants societies attempted unsuccessfully to have the Accountants' Registration (Private) Bill put through Parliament. It ends in 1940 with the failure of Pocock's attempt to have the Accounting Bill finalised before the outbreak of the Second World War captured the imagination and resources of South Africa and changed the Union forever. To be able to do this effectively, it is necessary to consider the South African political and economic background in the period 1913–40 as well as the "rules of the game" – that is: the South African parliamentary procedure of the time. But before doing this, it makes sense to consider the 1951 Public Accountants and Auditors Act (Act No. 51 of 1951) because that is where the process finally ended. More importantly, the Act succeeded, navigating the shoals of public opinion, Government approval and procedure. It is thus possible to use the Act as the benchmark against which to measure those pieces of legislation which failed. In so doing, the reasons for that failure can be determined and analysed. Motive may thus be exposed and other hidden elements may be forced to the fore.

CHAPTER 2: EPILOGUE AS PROLOGUE: THE ACT OF 1951

- Introduction
- Objectives and Provisional Committees
- The 1951 Act:
    - Definitions
    - The Board
    - The Elements of Control:
    - Articles of Clerkship, Examinations (and Exemptions) and Committees
        - Articles
        - Examinations (and Exemptions)
        - Committees
    - Auditors' Powers and Liability (and Material Irregularities)
    - The Power to Discipline Members of the Profession
    - Preservation of the *Status Quo*
- Conclusion

CHAPTER 2: EPILOGUE AS PROLOGUE: THE ACT OF 1951

INTRODUCTION

In a thesis describing the development of a process which ended in the promulgation of a single Act, it is unusual to describe and analyse that Act in detail in Chapter 2 of a 13-chapter thesis – in effect, to give away the plot or *denouement* before the story has properly begun. The reason for this is simple: to have applied the same research methodology to the period 1940–51 that has been applied to the period 1910–40 would have extended this work significantly and far beyond the academic requirements placed upon length. Hence the need for this chapter. Many of its topics, such as "articles" and "public practice", will be used consistently throughout the rest of this thesis. Detailed reference to them now will lead to a better understanding of the remaining 11 chapters.

Another objective of this Chapter is to use it as a link between the beginning of the process of unifying the accounting profession in South Africa and its final successful conclusion in 1951. The fact that the 1951 Act succeeded makes it different from the failures that litter the scene in 1913, 1924–5, 1936 and 1938. The Act was the result of hard experience and compromise. As such, it represents the benchmark of not only what was acceptable but also what was desirable. This Chapter describes and analyses some of the strengths and key elements of the 1951 Act and some of the weaknesses of the Bills of 1913 and 1924. The 1924 Bill formed the basis of all attempts prior to 1940 to pass similar legislation through parliament. It is thus a key document. The Chapter also seeks to introduce reading early on to some of the complexities of the legislation and the motives underlying it. Issues such as admissions, articles, examination, by-laws, fees and discipline are common and enduring topics through the years. The 1951 Act was amended many times in its long life of 40 years to 1991. The version used in this thesis is the original Act No. 51 of 1951.

It should be noted that Verhoef, in late 2013, has produced a new article on the statutory regulation of accountants in the period 1904–51. This article contains extensive analysis of the 1951 Act which she describes as "an important concession the 'Chartered' Societies had to make to secure a form of professional closure" (Verhoef,

2013: 179). This latter term indicates the longstanding need for professional unification in South Africa.

There are 38 years and some few months between the final assent to the Public Accountants and Auditors Act of 1951 and the failure of the promoters of the 1913 Private Bill to prove its Preamble to the Parliamentary Select Committee convened to consider the Bill's rectitude.

OBJECTIVES AND PROVISIONAL COMMITTEES

Both Act and Bill had, as an objective, the registration of accountants and auditors in the Union and their governance thereafter but they also had significant differences.

Similar objectives had been achieved by accountants in New Zealand in 1908 and were to be achieved in Australia in 1928 by the creation respectively, of the New Zealand Society of Accountants and the Institute of Chartered Accountants in Australia. These events have a commonality in time (but not method) and will be paired – New Zealand experience with the 1913 South African Private Bill and that of Australia with the 1924 South African Private Bill – for later consideration.

Whereas the Private Bill envisaged the initial process being controlled by a provisional committee consisting of men chosen by its promoters (AB, 1913: s56), the Act provided for the establishment of a Board and an Accountants' Registration Advisory Committee (Act, 1951: s13(1)), the latter comprising five members appointed by the Minister of Finance. The Committee was charged with investigating and making recommendations to the Board upon all applications for admission under the Act referred to it by that Board.

The Bill's provisional council would cease to exist 12 months after the Bill's promulgation (AB, 1913: s14) while the Act's advisory committee would be abolished on a date fixed in consultation with the Minister, but not later than 18 months after the commencement of the Act.

Again, while the Bill provided for a Council consisting of the promoters' nominees, the Act allowed for a more representative (but ultimately Government influenced) board of

12 members – four selected by the Minister of Finance from a list of senior civil servants, such as: the Commissioner of Inland Revenue and the Registrars of Banks and Companies; two selected by the Minister from a list of nominees of the faculties of commerce at universities in the Union; one nominee from each of the four Provincial Societies which had promoted the private bills of 1913 and 1924; one nominee of the branches established in the Union by the Society of Incorporated Accountants and Auditors; and one nominee each of the South African branch of the Association of Certified and Corporate Accountants, the Institute of Accountants of South Africa Limited and the Association of Practising Accountants of South Africa (Act, 1951: s3). In terms of Sections 2–6 of the Act, membership of the Board was modified in a number of ways; for example, the Society of Incorporated Accountants and Auditors lost its right to nominate a member to the Board when the number of its members – who were also registered with the Board – fell to below 40. The number of Board members would then be reduced by one. Also, where the faculties of commerce failed to make nominations, the Minister could make an appointment. Despite the Minister's power in the process of constituting the Board, the net result was a more balanced and representative body than envisaged by the Bill. As membership in terms of the Bill was limited to the Four Societies and mainly United Kingdom chartered accountants, so too was the pool of possible candidates for the proposed provisional council and (later) permanent council. In effect, the pool comprised the Four Societies (AB, 1913: s6(14)), and this fact was defended on the grounds that the Bill was a private one with limited goals. In this, there was precedent in the private Transvaal Ordinance of 1904 and the Natal Act of 1909. These two pieces of legislation were to be deployed often as stumbling blocks to attempts to an inclusive registration.

The differences between the 1913 Bill and the 1951 Act are thus significant. Equally significant is the persistence of certain fundamental themes from 1913 onwards, such as who was to be admitted to the proposed new society, what were to be considered acceptable qualifications – including articled service – and how members were to be disciplined for improper conduct. Also of note is that the final creation of the Public Accountants' and Auditors' Board was a singular success for the then Minister of Finance, NC Havenga. He represented continuity and Government's determination in the process as his long political career stretched back to the 1924 attempt to form a

statutory society of accountants and he had also played a prominent role in the establishment of the 1934 Accounting Commission.

The South African experience of failure has parallels with the attempts in England to form a single united profession in the late 19th and early 20th centuries but is contrasted by the process in New Zealand and Australia where unity was largely achieved in 1908 and 1928 respectively. In his 2004 monograph concerning the unification of the accountancy bodies in England between 1870–1880, Stephen P. Walker details issues that have a commonality with the South African process of unification. In South Africa, the profession was dominated by the Four Societies; in England the profession was dominated by accountants in large cities such as London, Liverpool and Manchester. Both groups had an aversion to non-members who were perceived to be unqualified and a threat, both to the public and to their professional interests. Both groups came to the conclusion that the only solution to the problem was to unify the profession in their respective countries and to regulate the quality of its membership. It took ten years to unify the English accountants under a single Institute of Chartered Accountants in England and Wales. In South Africa, the unification process took 38 years to complete, whilst unification in Scotland, where lived the progenitors of the chartered societies, took nearly 150 years to achieve (Walker, 2004: foreword).

Ultimately, every experience is unique and this exploration of the South African experience begins with an analysis of the 1951 Act – for this legislation was enacted by a Parliament concerned with equity as far as it was achievable, and represents the standard against which the attempts of 1913, 1924, 1934, 1936 and 1939 need to be measured to determine the reasons for their failure.

THE 1951 ACT

DEFINITIONS

The 1951 Act contained a list of definitions of key words used in it. This was not the case with the 1913 or the 1924 Bills. The 1951 list was important in that it strove for clarity in an area that had seen much dispute and disagreement since 1913. The most important included “articles of clerkship” defined as a written contract under which an articled clerk was legally bound to serve “another for a specified period”, (Act, 1951:

s1(iii)), in return for training as a public accountant and auditor; a "public accountant" was succinctly defined as "a person … engaged in public practice", which in turn was more fully described as the occupation of an accountant and auditor who "places his services at the disposal of the public for reward" (Act, 1951: s1(ix)). This definition specifically excluded "services which [were] substantially at the command of any one person or the State" (Act, 1951: s1(ix)). It finally put paid to the unrealistic demands of civil and municipal accountants to be admitted to the new society on the basis of their work experience. These demands, coupled with their further demand to be excused service under articles, contributed to the sinking of the Private Bill of 1924.

Of equal significance was the definition of "society" as being any one of the Transvaal Society Accountants, the Cape Society of Accountants and Auditors, the Natal Society of Accountants and the Society of Accountants and Auditors in the Orange Free State, all collectively referred to in the Act as "the four societies" (Act, 1951: s1(x)). This was important in that it accorded further recognition to the societies that had, in 1913, initiated the process of unifying the South African accounting profession and had pioneered the principles and practice of examining aspirant applicants to the profession. In so doing, they had established a standard. The Four Societies together had founded a General Examining Board for this purpose and it had created the beginning of a uniform examination process across the four South African Provinces. The Act specifically recognised this in its definition of "examining board" to mean the South African Accountants Societies General Examining Board "established in pursuance of an agreement entered into between the four societies" (Act, 1951: s1(v)).

THE BOARD

At the heart of the Act was the creation of the Public Accountants' and Auditors' Board (PAAB) as a body corporate to implement the objectives of the Act and to perform such functions and duties as were required by the Act.

The general powers of the Board were detailed in Section 21 of the Act and included the ability to levy registration and annual fees upon its members. The 1913 and 1924 Private Bills had reserved by-laws to incoming councils to pass, citing the cumbersome parliamentary process needed to change the Act should amendments be needed. The deferral of the creation of by-laws to elected councils was also the case in New Zealand

(Act 211, 1908: s20(1)) and Australia (Charter, 1928: 24). The issue of fees was always contentious in South Africa as many thought the projected fee of 5 guineas in 1913 to be too high in relation to expected expenses. Any resulting surplus would be reviewed as "sharp practice". This attitude persisted until 1951. The two colonial pieces of accountants' legislation in South Africa – the Transvaal Ordinance of 1904 and the Natal Act of 1909 which was based on the Transvaal enactment – required their respective provincial councils "forthwith to prepare draft by-laws for the Society", such by-laws to be considered by the membership within six months of the date of the legislation (Ordinance, 1904: s19; Act, 1909: s20). Other powers enabled the Board to conduct examinations for articled clerks "or other persons" (Act, 1951: s21(1)) as well as to assist in the provision of educational facilities for such persons; to prescribe the qualifications that would allow people exemption from any requirements set for registration as accountants and auditors; to detail what constituted unprofessional conduct for its members, to investigate allegations of such conduct and to determine and apply appropriate punishment.

This was a vast improvement over the Private Bills of 1913 and 1924 which envisaged misconduct – as compared to criminal activity – being investigated and punished through the courts of the land. The content of Section 21(1)(h) of the 1951 Act has a surprisingly modern ring to it as it authorised the Board to:

> "take any steps which it may consider expedient for the maintenance of the integrity, the enhancement of the status and the improvement of the standards of professional qualifications of accountants and auditors and to encourage research in connection with problems relating to any matter affecting the accounting profession" (Act, 1951: s21(1)(h)).

The Board's specific activities in 1951 were twofold – to register existing accountants and auditors who qualified and to provide for future members through an integrated system of clerkship and examination. With regard to current registrations, the Board's solution to a potentially difficult problem was simple. In terms of Section 23, it invited people wishing to register to lodge a written application accompanied by the prescribed fee and such other information as was needed. After consideration of the application and, providing applicants were not less than 21, ordinarily resident in the Union, and,

"except to the extent to which [they had] been exempted therefrom in terms of this Act" (Act, 1951: s23(1)(b)), had served articles, passed the prescribed examination and had not been convicted of theft, fraud, forgery or perjury, the Board would register them as accountants and auditors. Upon registration, they were entitled to describe themselves as registered accountants and auditors and to practice anywhere in the Union of South Africa. But registration did not include the use of the designation "Chartered Accountant" which remained within the preserve of the Four Societies as detailed in the Chartered Accountants' Designation Act, No. 13 of 1927.

THE ELEMENTS OF CONTROL

Central to the effective operation of the Board were three interlinked groups of elements:

- Articles of clerkship, examinations (and exemptions) and committees;
- An auditor's powers and liability (and material irregularities); and
- The power to discipline members of the profession.

The first element enabled the Board to ensure a steady stream of qualified and technically competent people into the ranks of the profession. The second element concerned liability. Lawrence R Dicksee distinguished between criminal and civil liability, the former resulting from criminal acts and involving legal punishment while the latter arose from negligence (Dicksee, 1933: 330, 338). The 1951 Act attempted to limit the auditor's liability and this is discussed later in the chapter. The third element allowed misconduct to be investigated and punished, thereby ensuring the maintenance of the profession's reputation. Sections 24 and 25 of the Act dealt with the first element while Section 26 was concerned with the auditors' powers, duties and liability. The disciplinary powers of the Board and its related ability to initiate enquiries were covered in Sections 27 and 28 while penalties and offences were listed in Section 30. The three elements are now considered in detail.

ARTICLES OF CLERKSHIP, EXAMINATIONS (AND EXEMPTIONS) AND COMMITTEES

ARTICLES

Articles of clerkship represented periods of apprenticeship that aspirant accountants needed to complete under the tutelage of qualified and experienced accountants in public practice.

From 1924, the Four Societies had pressed the need for both the successful completion of articles and examinations to be necessary prerequisites to admission. This was strongly recognised by the 1951 Act.

For articles to be recognised, the clerk needed to be registered with the Board. The issue of articled clerks had bedevilled the process of unification from about 1920 as they were essentially a source of cheap labour and the more a principal had, the greater the number of hours worked and billed would be. After 1951, to counter the worst excesses, registration was only possible after confirmation of the following:

1. the clerk's principal needed to prove active engagement in public practice in the Union and then to have been given prior permission by the Board to engage an articled clerk; and
2. the clerk needed to provide evidence of his date of birth and the successful completion of the matriculation examination of the Joint Matriculation Board; and finally,
3. the principal's public practice needed to be of sufficient size to allow the clerk a "wide and general practical training and experience" (Act, 1951: s24 1(c)(ii)).

The Act limited the number of clerks articled to any one principal to four. This could be changed and the principal could accept a clerk already under articles but unable to complete it under his original principal. In return, clerks needed to complete a period of five years with a principal. This could be reduced in the case of clerks in possession of a university degree or having completed satisfactory service "under articles outside the Union" (Act, 1951: s24(3)(b)). While the Act did not specify the period of remission, it

was generally accepted as two years, thereby giving a total service of three years required of such individuals.

The Act also prohibited principals from accepting money or anything else in consideration for taking on an articled clerk. This practice had been commonplace in England in the 19th and early 20th Century where clerks were expected to pay a "premium" to their principal. The better the firm's reputation, the higher the premium paid (SC7, 1924: Q280–2; Brooks, 1973: 439–40).

In 1913 and particularly 1924 – when serving articles was more commonplace in South Africa – the normal path to registration in one of the Four Societies was by means of completed articles and successfully passed examinations. Suggested exemptions to this process had created heated debate in 1924, both in committee and in the House of Assembly.

Nevertheless, a number of exemptions to the normal requirements for registration were permitted as a compromise in 1951. These included membership in good standing, or qualification at 1 January 1950, of the Society of Incorporated Accountants and Auditors in the Union, the South African branch of the Association of Certified and Incorporated Accountants of South Africa Limited or the Association of Practising Accountants of South Africa (Act, 1951: s23(3)(a)). Most of these organisations have disappeared with time as the primacy of the PAAB took effect. Some of them had overseas links but residence in the Union of members was essential as the idea of "South Africa First" remained current. Other exemptions allowed for the recognition of similar examinations "of a high standard" conducted by organised accounting and auditor bodies and "not less than five years" practical experience in the practice of a public accountant.

The 1924 Bill at Section 21 guaranteed the rights clerks enjoyed prior to the Bill. This was fair play.

With regard to those in the pipeline in 1951, provision was also made to accept for registration those who had completed their articles of clerkship or were serving them with any of the exempt Societies listed above – providing they, the clerks, "satisfied the

requirements for admission" to those societies in accordance with their by-laws in force on 1 January 1950. A number of other permutations served to throw the net as wide as possible to include clerks who were in service at the date of the Act. The idea of inclusiveness was thus fostered and reinforced.

In terms of Section 23, the 1951 Act envisaged a period of six months to complete the registration process, but allowed the Board further time if needed "in any particular case". Thereafter the Act prohibited anyone not registered with the Board from engaging in public practice as an accountant and auditor. Most importantly, the Act specifically prohibited unregistered people from accepting any audit required by law. This meant, for example, that in terms of the Companies Act of 1926 only registered accountants and auditors could audit companies. While the economic impact is difficult to isolate and quantify, it is common cause that the early regulation of the profession had a positive influence; but its failure in the 1980s and 1990s produced a significant backlash as detailed in Chapter 1 of this thesis.

Section 23 provided for a number of exclusions, namely that those employed for a salary and not carrying on a business for their own account, could call themselves accountants or internal auditors in relation to the work they performed. Also, members of clubs or associations not for profit could audit such entities, provided they received no reward for the task. Further, officers in the Public Service could appoint, as an auditor of any entity for which they were responsible in law, an unregistered person in situations where registered auditors were unavailable or circumstances made it necessary. This exemption was intended to cover, for example, the audit of small, remote municipalities.

EXAMINATION (AND EXEMPTIONS)

As well as practical experience in the profession, articled clerks were also expected to acquire a satisfactory theoretical knowledge. This knowledge was tested in a series of examinations as in the English chartered system – an intermediate examination half-way through the candidate's articles and the final examination towards the end of the articles (Brooks, 1973: 438–40). The Act did not deal with the detail of the process of examination, leaving it to be framed in later by-laws and regulations.

The Act at Section 25 empowered the Board to:

1. examine any candidate admitted under Section 23(3) and give credit for any corresponding examination passed under the aegis of the examining board established by the Four Societies. As this exemption did not necessarily include the final board examination in those early days, the Board or its Executive Committee considered individual (or group) cases of request for exemption (PAAB Archives, Board Minutes, Vol. 1, 24/10/1951–17/2/1954: B 75–B92 and Appendix thereto – the First Report to the Minister of Finance, dated 18/3/1953);

2. accept from the existing examining board all documents relating to examinations together with full future responsibility for the conduct of examinations. While the Board could delegate the actual process and administration of examination, it could not transfer its ultimate responsibility for examinations; and

3. exempt from examination anyone outside the Union who had passed any examination or degree approved by the Board or a diploma in accountancy awarded by the Institute of Administration and Commerce of South Africa. Why the Institute was so favoured is difficult to understand as it was not one of the South African societies recognised in terms of Section 23(3) of the Act. In some instances, the exemption would not be for all examinations but only some of them, thereby requiring the candidate to write the final Board examination to gain full exemption and hence status.

COMMITTEES

The management of these exemptions absorbed much of the Board's attention in the early years of its existence despite the fact that the Act allowed the Board to establish committees to assist it in the performance of its duties (Act, 1951: s10). One of these was an Executive Committee to help with the day-to-day routine and to make recommendations of how to resolve particular problems.

The following formal powers were delegated in February 1952 to a newly created Executive Committee:

- the hiring of staff and office accommodation, furnishings etc., and the approval of associated expenditure;
- the registration with the Board of
    (i) candidates who qualified in terms of the regulations;
    (ii) articles of clerkship;
- dealing with contraventions of the Act by non-registered persons;
- instituting legal action for the recovery of debt;
- considering requests from members to publish in the lay press.

(PAAB Archives, Board Minutes, Vol. 1, 24/10/1951: B22).

The last power is interesting and was clearly an early attempt to ensure the newly created entity spoke professionally with a uniform voice or at least one which did not undermine its fledging reputation.

Although the Board did not transfer its final authority to such committees, they became *de facto* influential in the management of the Board's activities. The matter of Moses Hasses is a case in point.

An insolvent under law, Hasses applied for registration with the Board in early 1952 and was recommended for acceptance by the Registration Advisory Committee on the grounds that he was in public practice and had applied to the court for rehabilitation. The Executive Committee advised Hasses that upon the successful granting of his application to the court, the Chairman of the Executive Committee would be authorised to register him. At its meeting on 18 August 1952, the Chairman of the Committee reported that the court order had been received and Hasses "registered under No. 1411" (PAAB Archives, Exco Minutes Vol. 1, 24/10/1951 – 13/5/1954: E35, E41). The Board was informed of the successful resolution. This incident highlighted three points – firstly the effectiveness of the process of registration; secondly the number of members registered in just over a year – in excess of 1411 – and finally the Committee's independent but authorised action, the Board being informed of its action after the

decision. The Board retained the power to review any Committee decision, but they could prove difficult to reverse.

THE AUDITOR'S POWERS AND LIABILITY (AND MATERIAL IRREGULARITY)

An auditor's powers and duties were detailed in Section 26 of the Act and prevented the auditor from issuing an unqualified audit certificate unless a number of conditions had been met. Amongst these conditions were the conduct of an audit unrestricted in any way by those being audited, the existence of proper books and accounts and the availability of all required information, vouchers and documents. In addition, auditors needed to have complied with all laws relating to the audit, satisfied themselves as to the existence of all assets and liabilities shown in the balance sheet, and determined the correctness in any data presented "as far as reasonably practicable" (Act, 1951: s26(1)(f)). When compared to the basic features of an early 20th Century audit (see, for example, Taylor and Perry, 1929), these 1951 duties reveal a level of sophistication which indicated that the profession was coming of age in South Africa and understood its responsibilities. Their timeless quality is supported by the fact that these duties are repeated in Section 44 of the Auditing Profession Act of 2005.

In an early attempt to enforce "auditor-client" independence, Section 26 also prohibited auditors, their partners and staff from writing up any of the client's books except to the extent of making closing entries or preparing the frame of the balance sheet (Act, 1951: Section 26(1)(g)).

A new duty given to the auditor in 1951 and one related to auditor independence was contained in Section 26(3) and required auditors to report to management "any material irregularity of which he has cause to complain in his capacity as auditor" and failing its satisfactory resolution, to report it to the Board in writing. The Act did not define what was meant by "material irregularity", and despite the cumulative weight of many legal opinions and a number of amendments to Section 26(3) over the years, the requirement remained elusive in its definition and practical enforcement. It was replaced in the 2005 Auditing Profession Act by the more accessible concept of a "reportable irregularity" which was carefully defined in the 2005 Act (see Chapter 1).

Verhoef (2011: 36–8) gives extensive analysis of the Public Accountants and Auditors Act of 1951. While she recognises the importance of Section 26(3) of the Act (Verhoef, 2011: 38) and the concept of a "material irregularity", she does not analyse its underlying shortcomings. Similarly, while recognising the importance of Section 29 of the Act (Verhoef 2011: 37), she overlooks the loophole in Section 29(3) which enabled the four Provincial Societies to control the designation "Chartered Accountant (SA)". It is difficult to determine whether the loophole was intentional or the result of poor draftsmanship, but it was nevertheless exploited.

An auditor's liability formed the subject matter of Section 26(4) and (5) of the 1951 Act. These sections allowed the Board to consider a case of improper conduct against auditors criminally charged, or convicted of negligence, or failing to perform their duties with the "care and skill" that could be reasonably expected of them. However, auditors could not be punished by the Board where they expressed an opinion in good faith, or declined to make an opinion in a situation where they "could not reasonably have been expected to express an authoritative opinion" (Act, 1951: s26(4)).

Section 26(5) gave additional protection to the auditor and stated no action could be taken against registered accountants and auditors *under this Act* [my italics] who expressed an opinion in good faith in the performance of their duties, unless it was proved the opinion was given "maliciously or negligently". In large measure, the principles of "malice", "negligence" and "good faith" established by this section have lasted until the present day, but aggrieved clients clearly had other options in law as the following indicates.

In its June 1970 edition, *The South African Chartered Accountant* detailed in the regular "Notes and Comments" column the case of a Sydney firm of chartered accountants. The firm had been ordered by the Supreme Court of New South Wales to pay a former client an amount of $1.5 million (AUD). The accountants had failed to verify certain major transactions which, had they done so, would have indicated fraudulent activities. The Court concluded the auditors were "liable for negligence in breach of their audit contract" (1970, 6(6): 241). A 1976 article on professional indemnity insurance by RW Bennetto, one time director of CT Bowring and Associates SA (Pty) Ltd, made three significant points [my bullets]:

- "claims against accountants in the United States of America and Australia were increasing; it would happen in South Africa.
- indemnity insurance for accountants in South Africa was not popular among insurance companies. This was because of the small market and the resultant limited fees that could be charged.
- most claims in South Africa were settled out of court, their existence and settlement value being largely unknown to and thus unreported in the press" (1976: 317–8).

The significance of the many corporate failures in recent times coupled increasingly with auditors being targeted in civil suits, has led the IRBA to reconsider the nature of audit liability. The ultimate goal is to change to limited auditor liability with liability being shared by the directors of failed companies (Agulhas, CEO, IRBA: verbal communication, 19 August 2009). This is the case in the United Kingdom where the Companies Act of 2006 allows auditors to enter into "limited liability agreements to reduce the value of damages paid by lawyers and their insurance companies" (Cosserat and Rodda, 2009: 12). Auditors' liability to third parties in the United Kingdom and South Africa has been influenced strongly by the 1990 watershed case of *Caparo Industries PLC vs Dickman and Others* [1990] UKHL, 2. This case established the principle that auditors had no duty of care to third parties, such as potential investors, unless they specifically indicated to such parties that reliance could be placed upon the audited financial statements.

THE POWER TO DISCIPLINE MEMBERS OF THE PROFESSION

Following the logical progression of sections dealing with the other elements of control, Section 27 of the 1951 Act gave the Board the responsibility to discipline and control its members "for misconduct or unprofessional conduct". Disciplinary rules detailing unprofessional conduct on the part of registered accountants and auditors, punishments therefor and methods of inquiry were gazetted on 4 January 1957 (Langhout, 1961: 4). The straightforward and simple use of language in the Act underlined the unequivocal nature of the power given to the Board and was in strong contrast to the uncertain legal claims made in the Private Acts of 1913 and 1924 and their involvement of public law structures *ab initio* in any dispute between society and member.

The actual 1951 process of convening and running a disciplinary enquiry was detailed in Section 28 and a summons to appear before the Board would be "served in the same manner as a subpoena in a criminal case issued by a magistrate's court". This latter requirement derived from the 1924 Bill which sought to mitigate the 1913 Bill's idea of allowing disciplinary appeals by members to the Supreme Court itself, an expensive and time consuming practice. The 1951 Act envisaged no appeal within the PAAB structure beyond the Board (Act, 1951: s27). Individuals believing themselves to be unjustly convicted could obviously seek redress in the civil courts of the Union but would need to be reasonably sure of success before incurring legal costs.

Any conviction in terms of Section 28 in 1951 attracted a maximum fine of £50. As to what constituted "misconduct or unprofessional conduct" was detailed in Section 30 of the Act and codified in the Disciplinary Rules, including a prohibition from employing any person suspended from public practice, the sharing of "professional fees" or the profits from practice with individuals not registered with the Board or practising under a firm name which included the name of a person not ordinarily resident in the Union during his lifetime. This latter provision was clearly aimed at boosting the profession locally and preventing its domination by foreign partnerships, a common theme in the period under review.

Many of the prohibitions contained in Section 30 have stood the test of time and in subsequent years have been moved from the Act to Codes of Professional Conduct within the profession.

Two other prohibitions are important – the one established the principle that auditors could not sign off on any work which indicated they had done it unless they had actually done it or the work had been performed under their direct supervision, or that of partners – fellow registered accountants and auditors – or foreign accountants authorised by the Board. The second prohibition outlawed professional work connected with a dispute or litigation where payment for such work was dependent upon the successful outcome of the dispute or litigation. These prohibitions remain relevant in 2013.

As an interim measure, the sharing of profits with unregistered people – who were nevertheless members of approved foreign professional societies – was permitted for a period of five years after the commencement of the Act.

The final sub-clause in Section 30 prescribed a fine of not more than £100 for a conviction of a failure to comply with any provisions of the Act.

PRESERVATION OF THE *STATUS QUO*

One final section of the 1951 Act needs to be considered – Section 29 – which dealt with "Admission to Societies". The Chartered Accountants' Designation Act of 1927 had given the four Provincial Societies the right to use the description "Chartered Accountant (South Africa)". The Board did not have this power and a link was needed between "Society" and "Board"; Section 29 provided it. Persons who were registered by the Board as accountants and auditors, had passed the final qualifying examination and had either completed six years' practical experience in the office of a public practising accountant, or had been exempt this service in terms of Section 23(2)(b), were entitled to apply for admission to any of the Four Societies. The Societies themselves were permitted to set other requirements for admission they believed necessary. Further, any member of one of the Four Societies could apply for admission to any of the other three Societies. But the Act was careful to specify in Section 29(3) that persons registered as public accountants and auditors in terms of Section 23(3) of the Act – that is: the special cases – could not use the fact that they had been exempted from practical experience to claim membership of one of the Four Societies.

The implications were clear. The Four Societies could require, for example, actual practical experience in an accountant's office as a necessity for admission to their membership – being a registered accountant and auditor in terms of the 1951 Act did not mean automatic entry to the Societies nor the automatic award of the coveted description "Chartered Accountant". Clearly as time passed and the Act and its requirements became entrenched, anomalies like a lack of professional experience, would fall away.

The South African Society of Accountants (Private) Bill of 1924 had tried at Section 29(1) to establish the right of all registered accountants to the designation "Chartered

Accountant (South Africa)". The failure of this Bill meant the loss of the designation to many and opened the door to the Four Societies to promote their own interests through the Designation Act.

Thus was the great compromise achieved; accountants could be registered in terms of the 1951 Act and thus achieve the status of an officially sanctioned accountant through the use of the title "Registered Accountant and Auditor". The Four Societies had won their point that a period of practical professional experience was an essential prerequisite for the designation "Chartered Accountant", a position they had steadfastly held since 1913. For the Four Societies, the passage of the 1951 Act delineated their powers and duties as for any other registered accountant and auditor and it took many years for them to reassert their position.

This conclusion is supported by the editorial in the first edition in January 1965 of *The South African Chartered Accountant* in its role as the "Official Journal of the Joint Council of the Societies of Chartered Accountants of South Africa". This Journal – entitled previously as *The South African Accountant* had, since 1954, been the "official organ" of the Public Accountants' and Auditors' Board and its handover to the Joint Council signalled the resurgence of the four Provincial Societies. As explained in the first editorial written by future Chairman at the National (previously Joint) Council, Douglas Vieler:

> "When the Public Accountants' and Auditors' Board was established in 1951, there were many who feared for the future of the Provincial Societies, seeing little for these bodies to do but to nominate their representatives to the Board and to limit their operations to areas somewhat hazily described as 'the maintenance and development of professional standards'. But to believe this was to fail to distinguish between, on one hand, statutory registration in the public interest of the practising members of the profession and, on the other hand, the distinctive character of accountancy as a profession in itself.
>
> With the passing of time, and as the Board has settled down to its allotted tasks, the profession – as organised in the Provincial Societies – has reorganised itself in the context of the changed conditions. The most important stage in this

reorganisation has been the delegation by the Provincial Societies of additional powers to Joint Council, thus enabling that body, with its specialist committees, to operate authoritatively and responsibly on behalf of the profession as a whole.

The aims and objects of Joint Council are to promote the unity, the standards and the prestige of the profession, and the action of Joint Council, in sponsoring this journal, is entirely consistent with those aims and objects. Thus the journal is dedicated to the service of the profession and to maintaining and developing its 'public image', based on the special skills of its members and its all-important characteristics of independence and integrity" (The South African Chartered Accountant, 1(1): 3).

The core fact is that the Act of 1951 established a regulatory body, not a society nor an accounting association which essentially is what the four Provincial Societies were.

As a postscript, the 1951 Act was amended on many occasions until being replaced in 1991 by an updated Public Accountants and Auditors Act which itself was replaced in 2005 by the Auditing Profession Act.

CONCLUSION

Verhoef (2011) has outlined the political events that led up to the Act of 1951 in which the Four Societies were obliged to compromise. Three points are important –

- In the 1930s, the Government of the day made it known that they would not interfere in the accounting profession's "organisational matters" (2011: 32).
- Smuts' post-war Government changed the tune which Malan and his Afrikaner nationalists picked up and increased the tempo. As Verhoef notes, "An observer and adjudicator role of the 1930s was replaced by a more interventionist state, desirous to effect professional closure in an optimally inclusive manner" (2011: 32).
- What Verhoef does not mention is the fact that since the early days of Hertzog's rule, capable and imaginative Afrikaners, using that ability and the incentives

provided by the Governments of the 1930s, had begun a quiet programme of commercial development.

In 1942, for example, *Die Afrikaanse Handelsinstituut* was established to coordinate the process and move Afrikaners into the mines in great numbers through the creation of *Federale Mynbou* (1953) and into investment and banking fields through *Volkskas* (1935) *Federale Volksbeleggings* (1939) and the Trust Bank (1955). As Davenport notes, quoting Giliomee "it was a remarkable case of what Giliomee has called 'ethnic mobilisation' for economic ends, under the blanket of protective political power" (Davenport, 1987: 513).

Primed by this development, the huge economic demands made by the Allies in the Second World War ignited the South African economy, a process which Malan's National Party were careful to keep running and growing after 1948. In this environment, it was of paramount importance to have a unified and equitable accounting profession able to audit economic entities and to provide the level of assurance required.

The 1951 Act was the product of a complicated, highly formalised and technical system of presentation, review and decision of potential to enact by Parliament in the pursuit of the governance of the Union of South Africa. Much of the "spade work" that turned a Bill into an Act was done outside (extra) Parliament by eliciting public support, lobbying the support of influential politicians and seeking the advice of specialist parliamentary agents. Also, the cost of supporting private and public bills through the various parliamentary stages (intra) could be high so a probability of success was needed.

Much reference is made in this thesis to various parliamentary procedures. This is inevitable as much of the source material is drawn from select committees, debates in the House, and Bills. Appendices 1 and 2 summarise the relevant procedures. Parliamentary procedure and "getting it right" were so important that *Grocott's Penny Mail* of 4 March 1924 nearly 1000 kilometres distant from Parliament in Cape Town reported to Grahamstown's citizens upon the activities of the Select Committee on Standing Rules and Orders. For a small city newspaper, *Grocott's Penny Mail* was at

pains to keep its readers informed, having a subscription to "Reuters Special Parliamentary Service" (*Grocott's Penny Mail*, 31/1/1924). The news was not always of national significance, however; for instance, *Grocott's Penny Mail* of 13 February 1924 reported on the state of elevators in the Parliament building.

Chapter 3 deals with aspects of intra- and extra-parliamentary activities as they relate to the process of accounting unification in South Africa.

CHAPTER 3: INTRA- AND EXTRA-PARLIAMENTARY ACTIVITY, AND SOME RULES OF THE GAME

- Introduction
- An overview of Parliamentary Events as they relate to the Profession: 1913–40
- Parliamentary Sanction
- The Four Provincial Societies: Extra-Parliamentary Activities, 1919 Onwards
- Anglo-South African Professional Relations
    - Table 3.1: Comparison of Chartered Membership: Incorporated *Vis-À-Vis* The Four Societies
- The South African Parliament
- Public Bills and Private Bills
- Kilpin on Private Bills: Some Concluding Points
- Why the Parliamentary Route?
- Conclusion

CHAPTER 3: INTRA- AND EXTRA-PARLIAMENTARY ACTIVITY, AND SOME RULES OF THE GAME

INTRODUCTION

The purpose of this Chapter is to give a summary of a number of key topics, all important for an understanding of the background to the process of unifying the profession. Some detail is also given about appropriate parliamentary procedures as these regulated the speed, direction and ultimate success or failure of a bill. Strict adherence to procedure ensured fair play for all. The Chapter continues to thread key ideas – such as rules, unification of accountants, South Africa in the early 20th Century, accountants and their interaction with society and the economy – through the analysis.

AN OVERVIEW OF PARLIAMENTARY EVENTS AS THEY RELATE TO THE PROFESSION: 1913–40

In the period under review, 1913–40, there were a number of sustained and expensive attempts to pass private bills through the Parliament of the Union of South Africa, each dealing with public accountants and each, as was the parliamentary requirement of the day, referred to a select committee for careful and thorough consideration and reporting back to the House of Assembly.

The first private bill was presented to the House in early 1913. Its short title was to "Provide for the Registration of Accountants in the Union" (AB, 1913) while the Select Committee appointed to investigate the Bill referred to it as "Accountants' Registration (Private) Bill" (SC3, 1913). The second private bill presented to Parliament in early 1924, was more comprehensive in its short title – that is: it intended to "provide for the establishment and incorporation of the South African Society of Accountants and further to provide for the constitution, rights, powers, privileges and duties of that society and members thereof" (AB, 1924). Its Select Committee referred to this bill as the "South African Society of Accountants (Private) Bill" (SC7, 1924). Two private bills introduced by National Party Member of Parliament for Jeppe, Dr Hjalmar Reitz, in 1934 and 1936 came to naught early in the process – at their first readings. The fourth bill introduced in mid-1938 by PV Pocock, Esq., South African Party MP for Pretoria Central, was intended to "provide for the registration qualification, designation

and control of accountants and auditors and for matters incidental thereto" (AB, 1938); to its Select Committee, it was known simply as "subject of Accountancy Bill" (SC8, 1939). In addition, a Commission – known as the Accountancy Profession Commission, 1934 – was appointed by the Government in that year to determine two things:

1. whether the accounting and auditing profession in the Union should be unified "by the incorporation of a representative body having control over the whole profession" (UG49, 1934) together with a register of qualified members; and, if so
2. how the register was to be established and controlled.

The basic bone of contention over this period was that the four Provincial Societies wanted a qualified admission to the new organisation, preferably by successful examination and articled experience. Others wanted a more open policy with a relaxation of formal qualifications as had been the case in New Zealand in 1908.

The Four Societies – after 1927 and the passage of the Designation Act – had a vested interest in maintaining the *status quo*. The Designation Act gave them a very definite professional edge which only chartered accountants from the United Kingdom could trump, in part explaining why these foreign accountants received membership in the Four Societies and why the Societies drew much criticism from native South Africans denied similar membership for lack of appropriate qualification and experience.

PARLIAMENTARY SANCTION

The desire to achieve parliamentary sanction for a professional body in the Union post 1910 was not unusual as the new nation set about the organisation of its professional and economic affairs. The architects, for example, went through a similar but more successful process in 1927 to emerge with the Architects and Surveyors (Private) Act (see SC10, 1926). The medical profession, too, sought statutory recognition in a process which began in 1925 and ended with Act No. 13 of 1928 and the creation of the South African Medical and Dental Council to regulate the health profession. What was unusual was the length of the process as it relates to accountants. There are 38 years between the first parliamentary excursion in 1913 and the final passage of the Public

Accountants and Auditors Act in 1951. Part of the reason for this delay lay in the strength of what became known as the "four Provincial Societies" or "the South African Societies" or the Four Societies (UG49, 1934: 7). These were: the Transvaal Society of Accountants, established by Transvaal Ordinance No. 3 (Private) of 1904; the Cape Society of Accountants, established in 1907 under the general limited liability offered by the Cape Companies Act, 1892 (Tennant, 1894: 2, 30); the Natal Society of Accountants, established in terms of Natal Act No. 35 of 1909; and the Society of Accountants and Auditors in the Orange Free State, established in 1907.

Together, these Four Societies represented a formidable pressure group, adept at protecting their own interests. The strength of the Transvaal and Natal Societies lay in the fact that their respective colonial legislatures (the Transvaal was controlled directly by the British in 1904) had sanctioned the associations' creation by their respective legislatures. These laws also restricted the practice of public accountancy in their respective colonies to members of those Societies. The Cape and Orange Free State Societies could not restrict the practice of public accountancy to the membership of the Societies in their respective provinces due to the voluntary nature of their membership and the fact that their associations had been established in terms of common law and not statute.

Another reason for the lengthy process of unification was that the Provincial Societies were not adverse to working at the "margins" – that is: by using extra-parliamentary activities within society to influence opinion and events to their own advantage (see below). North has characterised such organisations as "purposive entities designed by their creators to maximise wealth, income, or other objectives defined by the opportunities afforded by the institutional structure of the society" (North, 1990: 73). He also makes the point that institutional change is incremental, by which he means it happens bit by bit, but with growing momentum, over time (North, 1990: 89). While the political character of the House of Assembly changed dramatically in the period 1913–40 (see Appendix 3), it was only in 1934 with the Accounting Profession Commission appointed by the "Fusion Government" of that period, that Government signalled its willingness to sanction, by statute, the devolution of some of its regulatory powers upon a unified and Union-wide public accountancy profession. This signal hardened into resolve in the post-1945 period and unification became a necessity in the

eyes of Parliament. Argument can also be made for Parliament hindering the process of unification by allowing the passage, in 1927, of the Designation Act, which was a private Act sponsored by the Four Societies. An argument can thus clearly be made for incremental institutional change as a result of the process of unification. The reason is not hard to find. The 1933 resurrection of the gold mining industry led to "an unprecedented boom" in the economy (Yudelman, 1983: 257). In these circumstances, a disorganised accounting profession with variable standards was a distinct disadvantage politically. Part of the Government response had been the passage of the Companies Act of 1926 (Act 26 of 1926).

THE FOUR PROVINCIAL SOCIETIES: EXTRA-PARLIAMENTARY ACTIVITIES, 1919 ONWARDS

In the period 1911–3, the Four Societies held a number of conferences from which emerged the 1913 Bill and the determination to work through Parliament. Its failure and the subsequent outbreak of World War I in August 1914, led to a lull in coordinated, joint activities, which only resumed in 1919. Before this date, each of the Four Societies had their own admissions criteria for membership and conducted their own examinations. In 1921, they came to an agreement, which included the Rhodesia Society of Accountants, and established common admission requirements (UG49, 1934: 7). In terms of the South African Societies' General Examining Board Agreement, candidates for admission to each of the Societies needed to have completed four years under articles, or six years without, with a practising member of one of the South African Societies. They also needed to have passed the intermediate and final examinations conducted by the General Examining Board. This meant candidates for admission to each Society, wrote the same examination (UG49, 1934: 7). In addition, the Cape and Orange Free State Societies had pursued a policy of recognising the service of non-articled clerks with accountants in public practice where such accountants, however, were not members of either of their Societies. This continued practice was recognised in the Agreement of 1921, subject to the "satisfaction of the Councils of the Societies" (UG49, 1934: 7). This meant that whereas previously the Councils, in theory, would consider each case presented in support of membership on its individual merits, the Agreement as part of a general tightening up process, now required a Council to recognise such service, unless there was some significant reason for not doing so. This changed again in 1934 and clerks who had not been articled,

were no longer eligible for admission to the South African Societies. This was clearly unfair and was ameliorated in the 1951 Act. In addition, the length of articled service was increased to five years but kept at three years for university graduates. These changes were necessary to bring the South African Societies in line with the United Kingdom Chartered Societies (UG49, 1934: 7) and an indication of the influence of these overseas Societies.

By the 1920s, too, South African universities had come of age and were producing Bachelor of Commerce graduates who could be employed within the profession. Rhodes University College for example, had been established in Grahamstown in the Eastern Cape in 1904 as a constituent college of the University of South Africa. By 1927, it was offering two consecutive years of auditing tuition in years two and three of a general three-year Commerce degree as well as courses in accounting, business management, mercantile law and theory of finance – and all for an annual registration fee of £1 (Rhodes University College Calendar, 1927: 51). Admission to the university was a pass in the Matriculation Examination. An examination of the 1927 auditing syllabus reveals the following:

1. The first course in auditing comprised one paper which examined

> "The procedure and requisites in the audit of books and profit and loss accounts and balance-sheets, including those of public bodies, companies, and partnerships, etc.; consideration of the duties and responsibilities of auditors under the Companies and other Acts; investigations" (Rhodes University College Calendar, 1927: 126).

2. The second course in auditing dealt with

> "The subjects enumerated in the first course, including general principles more fully treated; proving of postings in single and double entry; sectional balancing; vouching; examination of securities; duty with regard to profit and loss and balance-sheet items; legal decisions affecting auditors; special points in various audits; form of auditor's report" (Rhodes University College Calendar, 1927: 126).

However, Rhodes was an exception; academic teaching was concentrated at the Universities of the Witwatersrand and Cape Town.

ANGLO-SOUTH AFRICAN PROFESSIONAL RELATIONS

The South African Societies were careful to forge bonds with their British counterparts. For example, by 1913 the members of the Chartered Societies in Scotland, England and Ireland as well as the Incorporated Society in England were permitted by the South African Societies to claim equivalency of qualification in South Africa. The proposed Accountants Bill of 1913 allowed 10 categories of entitled registration – six of these related to United Kingdom Chartered Societies. This was an important concession as it enabled qualified British accountants to practise as public accountants throughout the Union with a significant degree of status. In 1924, this policy was subsequently modified to a more rigorous general admission for foreigners to membership. To be so admitted, the foreigners needed to prove articled experience outside South Africa equivalent to those of South African clerks, or at least nine unbroken years as a public accountant. They also needed to have passed examinations, which in the opinion of the Council of the South African Society concerned, were equivalent to the South African Societies' examinations (UG49, 1934: 7). In effect, the admission of United Kingdom chartered accountants remained unhindered as they had met these requirements for admission to the United Kingdom Societies.

However, there were limits and the South African Societies were quick to defend their turf when necessary. In particular, they objected when the Incorporated Society in England conducted examinations in South Africa and on that basis admitted people to their membership. Such individuals could then claim admission to one of the South African Societies. A solution was brokered whereby the Incorporated Society agreed not to hold examinations in South Africa and to recognise the examinations of the South African Societies. Candidates who wished membership of the Incorporated Society as well, wrote and passed an amended final examination for that Society (UG49, 1934: 8).

It is unlikely that many would want dual membership. The basis of the Societies' objection rested upon a concern as to the quality of the Incorporated Society's examinations. Before the 1924 Select Committee, NS Wood of the Cape Society had

voiced this concern when describing the Incorporated Society as "a slightly inferior body" (SC7, 1924: Q1456). But there was more to this concern and it centred upon the fact that the Incorporated Society had a significant membership, and thus influence, in the Transvaal at the time of the Ordinance of 1904 (SC7, 1924: Q250). Their members, who were also chartered accountants Union-wide in 1924, were nearly four times greater in number than their rivals.

TABLE 3.1

COMPARISON OF CHARTERED MEMBERSHIP:

INCORPORATED *VIS-À-VIS* THE FOUR SOCIETIES

	Chartered Members Incorporated	**Chartered Members Four Societies**
Cape	67	7
Natal	21	2
Orange Free State	3	1
Transvaal	16	18
TOTAL:	107	28

Source: SC7, 1924: Q1933.

The comparative figure for the Four Societies is given in the second column (SC7, 1924: Q1925–8). The logic in their admission of United Kingdom chartered accountants becomes clear – not only did the Societies gain qualified members but they also neutralised potential competition.

During the period under review, overseas accounting societies opened branches in South Africa and posed varying degrees of competitive challenge; most faded quickly. The Commission of 1934 listed three who gave evidence; a study of the reports issued by the Select Committees of 1913 and 1924 reveals many more who made submissions before these Committees. The three listed by the Commission were the Corporation of Accountants Limited, the London Association of Certified Accountants and the International Accountants Corporation (UG49, 1934: 8). The South African Societies recognised few, if any, of these foreign societies on the grounds that the admission

criteria to these societies were below those set by the South Africans (UG49, 1934: 8). From a reading of the minutes of the Select Committees of 1913 and 1924 it is clear that the Four Societies were often at loggerheads with other societies over a variety of issues, principally membership and its two concomitants – examination and articles – both of which were used to restrict membership.

While cooperating outside of Parliament secured substantial benefits for the South African Societies as illustrated above, it was the parliamentary route that offered the best avenue to a successful unification of the profession with a single register of members. New Zealand had achieved this in 1908 through its Parliament (Graham, 1960: 22–4) so the prospects for South Africa seemed encouraging. Before launching into a study of the process, some knowledge of South African parliamentary procedures – the rules of the game – is necessary.

THE SOUTH AFRICAN PARLIAMENT

The South Africa Act of 1909 placed legislative power into the hands of the Parliament of the Union of South Africa. Parliament comprised the British King, the South African Senate and House of Assembly. The role of the British Parliament in this arrangement was unclear. This arrangement lasted until the Statute of Westminster of 1931 was passed by the British Parliament and recognised in South Africa by the Status Act of 1934. As a result of these enactments, the South African Parliament was recognised as the sovereign legislative authority in the Union. The Acts also vested executive power directly in the King's person or, as delegated by him, to his representative, the Governor-General. The British King was thus King of the Union of South Africa. The British Parliament had no legal standing in this revised arrangement and the previous uncertainty was thus resolved (Breitenbach *et al.*, 1974: 353–4).

The South Africa Act located the new South African Parliament in Cape Town, the home of the old Cape Parliament from 1854, the year of its first meeting to its supersession by the Union Parliament. This Union Parliament drew its rules and precedents mainly from those of the old Cape Parliament which in turn had been influenced by the United Kingdom House of Commons.

PUBLIC BILLS AND PRIVATE BILLS

In the period under review, an Act of the South African Parliament represented its considered will and the exercise of its sovereign power upon a particular issue. A bill represented a draft act of Parliament – that is: the working document which the House and Senate moulded to reflect their considered will or rejected as inadequate for whatever reason. According to Ralph Kilpin, an authority on parliamentary procedure in the Union of this period as his service extended from 1918 – when he was a Second Clerk Assistant – to 1946 when he had attained the rank of Clerk of the House of Assembly, bills introduced to Parliament could be either public or private bills. The purpose of the former was to "alter the general law on a question of public policy" (Kilpin, 1946: 3), while the purpose of the latter was to "confer benefits upon, or to advance the interests of, particular individuals or localities" (Kilpin, 1946: 19). The procedures adopted for private bills were necessarily rigorous as the benefits they conferred could affect the rights of others. This was a major concern with the accounting bills in the period 1913–40 and one reason why the Parliament of the day did not enact them.

The passage of a private bill through Parliament (as detailed in Appendix 1) was a cumbersome, expensive and time consuming process which Kilpin described as a "sieve" (1946: 28) and which he acknowledged to be finer than that needed in processing public bills. Thus, when it became apparent that a private bill could not be completed within a current session of Parliament, the convention at the end of the session was usually to permit the member in charge of a private bill to move for the suspension of the process and its resumption at the beginning of the next session of Parliament. This convention held true in the event of the normal dissolution of Parliament or its early dissolution due to a snap general election (Kilpin, 1946: 28) of which there were three in the period under review: in February 1921, June 1924 and May 1933. If the member's motion was supported, it was taken to be a notice to all concerned and no further public notice was needed. If the motion failed, the Bill "dropped" at the end of the session and its promoters needed to begin the process from the beginning if they wanted Parliament's approval.

KILPIN ON PRIVATE BILLS: SOME CONCLUDING POINTS

Kilpin made some interesting comments (1946: 29–30) in the conclusion to his section on private bills. Firstly, suits at law were expensive and secondly, a private bill was the approach by suitors to obtain new rights, usually in addition to established old rights. The converse was that those whose rights were perceived as being threatened by private bills, needed to incur costs to preserve such rights. Parliament's response was that where either the promoters or opponents of a private bill had been "vexatiously subjected to expense" as a result of the other's actions, costs could be awarded against the offending party (Kilpin, 1946: 29).

Although "cumbersome", the parliamentary approach to private bills conformed to the rules of "elementary justice" – that is: they needed to "be on all fours" with the principles applied in the law courts (Kilpin, 1946: 29). In addition, by insisting on adequate advertising of the Bill in the press, Parliament ensured that such notice – as far as possible in the early 20th Century – gave opponents the knowledge upon which to base their opposition, thereby providing for the principle that no one could be denied a right without first being heard. Also, by considering the membership of select committees carefully, the procedures ensured that none could "judge in a cause in which [they were] interested" (Kilpin, 1946: 29), and, while allowing Government and others to put their views before select committees, the principle that the public welfare needed to be carefully considered was emphasised. Kilpin saw the greatest advantage of the system as the removal from the process of the cancer of patronage where members of Parliament sought the interests of their constituents to the detriment of Parliament's reputation and of the public's welfare (Kilpin, 1946: 30).

WHY THE PARLIAMENTARY ROUTE?

From Kilpin's careful analysis of parliamentary procedures in the period under review, it is clear that the process of devising a private bill and guiding it through the parliamentary process was expensive, arduous and by no means certain as to the final result. The question that then arises is why the four Provincial Societies persevered in their quest. The answer must be that the rewards for them outweighed all other factors, including major setbacks in Parliament in 1913 and 1924. They wanted a unified profession in which they held a significant, if not dominant, role. To a large extent, they achieved the latter as a result of the Chartered Accountants' Designation (Private) Act

of 1927. Once given the sole prerogative to the designation "Chartered Accountant (South Africa)", the idea of a unified profession became less important to the Four Societies and the initiative shifted to the Government. The 1934 Commission was largely the result of Finance Minister Havenga's initiatives and Reitz and Pocock's attempts in 1934, 1936, and 1938 were variations upon the Commission's theme. All failed for a number of reasons, the most important being, firstly the lack of inclusivity in the Bills – too many people were left out when they appeared to have a justifiable right to admission – and secondly, the Bills placed too much power in the hands of the Four Societies. It is interesting to note that of the Four Societies, only the Cape Society registered its vote against the national registration of accountants before the Commission of 1934 (UG49, 1934: 19). The remaining three Provincial Societies approved of some form of registration, providing it did not clash with their interests.

CONCLUSION

This chapter has dealt with a number of topics intended to link it to the unification process that is described later on in the thesis. It also acts as an introduction to Chapter 4 which deals with early developments of the profession in the United Kingdom and South Africa. The link between the metropolitan centre and South Africa at the periphery of empire was mirrored by the influence the UK-trained accountants had within South Africa. This influence was also felt in the impact of British company legislation upon South African company legislation. In effect, the South African system was modelled on the United Kingdom system.

CHAPTER 4: THE EARLY DEVELOPMENT OF THE PROFESSION WITH REFERENCE TO THE UNITED KINGDOM, SOUTH AFRICA AND THE UNITED STATES OF AMERICA

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CHAPTER 4: THE EARLY DEVELOPMENT OF THE PROFESSION WITH REFERENCE TO THE UNITED KINGDOM, SOUTH AFRICA AND THE UNITED STATES OF AMERICA

INTRODUCTION

The process in South Africa which culminated in the creation of the Public Accountants' and Auditors' Board in 1951 had its origins in the United Kingdom almost a century before. There were two English colonies in South Africa in the late 19th Century and what happened in the metropolitan centre had an impact, even at the periphery of empire, accounting for the tremendous impact the United Kingdom and its chartered societies had upon the South African profession.

In 1854, a group of Scottish accountants received formal recognition of their professional status and were incorporated through a Royal Charter as the Society of Accountants in Edinburgh. They became the first to adopt the designation "chartered accountant" and their organisation – which became the Institute of Chartered Accountants of Scotland (ICAS) in 1951 – survives as the oldest professional body of accountants in the English-speaking world. The grant of a Royal Charter gave status to the fledging Society and official recognition of the difference between a bookkeeper and an accountant; the former recorded the financial transactions of the entity in ledgers, using the double entry principle and prepared the trial balance. If it was in balance, then the principle had been correctly applied. This result did not necessarily translate into accuracy as amounts might have been posted to inappropriate ledger accounts. The accountant, on the other hand, took the data as recorded in the books of account and extracted an income statement and balance sheet to give an understandable "snapshot" of the affairs of the entity at a specific point in time. From this simple beginning, a gradual specialisation developed in the field of accountancy (Littleton, 1933: 296).

THE AUDIT, THE AUDITOR, REASONABLE CARE AND FRAUD: AN OVERVIEW FROM THE LATE 19th TO THE EARLY 21st CENTURY

In a process parallel to the growth of the role of the accountant, the auditor gained a more prominent role as commercial transactions grew in volume and complexity and as

the need grew to verify the probity of an entity's financial statements and hence profitability. In 1929, Taylor and Perry described the primary function of an audit as

> "an investigation into a set of books, and into the documentary evidence from which such books have been written up, as will enable an Auditor to make a report on the Balance Sheet and/or other statements which have been extracted therefrom, to those to whom he is appointed to report" (Taylor and Perry, 1929: 4).

The secondary objectives were the detection and prevention of "errors and fraud"; others, however, saw things differently.

Dicksee's seminal 1892 publication, *Auditing: A Practical Manual for Auditors*, crystallised the objectives of an audit as being the detection of:

1. Fraud;
2. technical errors; and
3. errors of principle.

In this he was supported by Lancaster who stated:

> "The detection of fraud constitutes the most important purpose of an audit. Shareholders and proprietors alike frequently regard the employment of an auditor as the only possible means for the detection and prevention of fraud" (Lancaster, 1927: 62–3).

As late as 1961, authors of auditing texts emphasised the importance of, as Langhout expressed it, "the audit [bringing] to light any error or fraud which the auditor can and should discover by exercising reasonable care and skill" (1961: 5).

These emphatic points of view are tempered by the legal opinion of Lord Justice Lopes in the case *re Kingston Cotton Mill Ltd*, (1896: 2 CA 279). In this case, Justice Lopes made the oft quoted observation that the auditor "is a watch dog, but not a bloodhound", and pointed out that the auditor was "not bound" to approach an audit

with suspicion or a preconceived idea that there was "something wrong". Providing reasonable care was taken, the auditor could accept the representations of "tried servants of the company" (Lopes quoted in Lancaster, 1927: 5). An interesting and modern parallel to this is Section 76(4)(b) of the South African Companies Act of 2008 in terms of which company directors are permitted to rely upon the performance of competent employees and contracted professionals, such as legal counsel.

Of course, the challenge was to define "reasonable care". Dicksee saw it as derived from common and statute law as well as something he defined as "the rules of professional etiquette" (15th edn, 1933: 310), both written and unwritten. A breach of the written rules of etiquette laid the defaulter open to sanction from within the profession while the same was true in the case of a breach of statute law, only the sanction involved the state as well.

Cosserat and Rodda (2009: 6) point out that case law in the United Kingdom supports the view that the current definition includes not only a careful application of auditing standards and "professional etiquette", but also a careful consideration of the possibility of fraud followed by a careful investigation where the circumstances suggest its necessity. Cosserat and Rodda also point out that the courts in the United Kingdom continuously assess the appropriateness of auditing standards in a fast changing environment and thus what reasonable care means in a given situation.

The current International Federation of Accountants' Code of Professional Conduct is endorsed by the South African Institute of Chartered Accountants (*SAICA Handbook*, 2012). At Section 130 – where it deals with "Professional Competence and Due Care" – it states that due care is, in part, achieved through a process of maintaining "a continuous awareness and an understanding of relevant technical, professional and business developments" (*SAICA Handbook: Code of Professional Conduct*, 2010: 130.3). The other part is diligence – that is: acting carefully, thoroughly and in a timely fashion to the needs of the work (*SAICA Handbook: Code of Professional Conduct*, 2010: 130.4).

Justice Lopez's judgement was supported by South African authors Taylor and Kritzinger (1975: 7) who took the view in the mid-1970s that the detection of errors

made “innocently or fraudulently” was “incidental to the auditor’s main duty of verifying the financial statements”. Another South African author, KC Dickinson, was uncompromising in the simplicity of his view that neither detecting nor preventing error and fraud were the responsibilities of an auditor (1978: 15).

THE CURRENT POSITION CIRCA 2012

There has been a clear move in the view of an audit from being concerned principally with a negative – fraud – through a positive – the examination of “all the records and documents” sufficient to support the auditor’s view that the financial statement audited “fairly presents the facts” (Taylor and Kritzinger, 1975: 6) – to the present state of equilibrium, being a combination of fraud awareness and concern for an appropriate audit opinion. This view is supported by Cosserat and Rodda who extend it by pointing out that a successful audit gives credence to financial information, thereby supporting the activities of “an effective capital market” (2009: 6). These elements are important in a profession recovering after a slew of disastrous corporate failures – such as Enron in 2001 – underlined dramatically the failure of a methodology based upon a linear concept of the “fairness” of financial statements which has been unable to counter a deliberate management intent to produce fraudulent financial statements (Cosserat and Rodda, 2009: 11).

In part, the profession’s response to these events has been to tighten up auditing standards with the introduction of detailed quality control criteria as well as the use of carefully crafted terminology to avoid ambiguity. In addition, auditors, now, are required to review the effectiveness of a client’s risk management process in preventing error and fraud, technically described as material “misstatements” (Puttick and van Esch, 2007: 976–82).

The current auditing standards require auditors also to consider, actively, the risk of fraud being perpetrated, both by the entity and within the entity. Much of the detail is encapsulated in International Standard on Auditing (ISA) 240 entitled *The auditor’s responsibilities relating to fraud in an audit of financial statements* and which was effective for audits beginning on or after 15 December 2009. Of particular interest is Paragraph A30 of the Standard which requires the auditor – as a rebuttable presumption – to presume that there are risks of fraudulent activity in the entity’s revenue

recognition criteria. But as Davia (2000: 49) points out, there is a difference between normal auditing and "proactive fraud specific auditing". Whereas the former seeks to verify that which is known, the latter tries to establish that which is unknown and "may not be" (2000: 49).

The question arises as to what is "fraud"? Bologna and Lindquist (1995: 10) describe many forms of fraud but define it, basically, as an intentional strategy "to achieve a personal or organisational goal or to satisfy a human need" usually the need to survive – economically, socially or politically. The crux of the matter is that these needs can also be achieved by honest means but dishonesty surfaces where "competitive survival" becomes an issue. The authors cite, as an example, an American insurance company which had overstated its revenue by $200 million. This overstatement was covered up by hundreds of employees who colluded in generating thousands of bogus policies to create paper profits for the company so they could keep their employment for a little longer and hence survive economically (Bologna and Lindquist, 1995: 11).

Fraud is omnipresent. While the Van Wyk de Vries Commission Report on the South African Companies Act of April 1970 (1970, 8: 13.03) noted the existence of common law theft and fraud, it also noted that a survey of South African business since 1950 suggested a "relatively high order" of ethics and an absence of "serious offences concerning prospectuses and the offering of shares to the public".

The 43 years since the Report was made have seen the perpetration on the public of some sophisticated frauds. As early as 1976, Williard E Stone warned of what was to come as well as the deliberate misleading of the auditor by the collusive activities of management. The risk of failing to uncover the fraud exposed the auditor to charges of negligence.

While perspicacious in his concerns, Stone's characterisation of the profession's future as "clear and cheerful" was way off-target and failed to anticipate its inadequate response to the shortcomings of business activities in the period 1980–2005.

The auditor in the 21st Century faces many challenges in an environment where auditing has been described by Cosserat and Rodda (2009: 11) as a "shifting paradigm"

and with auditors moving from the conventional role of providing an opinion on the fairness of financial statements to providing "value added services" on governance issues, internal control weaknesses, pinpointing business risks and many other areas.

AUDITOR INDEPENDENCE

Auditor independence has always been a concern, the fundamental question being how possible it is to be independent of an entity which pays the auditor to audit its financial statements. One answer, of course, is that the auditor, in theory, reports on the results of the audit to the entity's owners – its shareholders – and not to its managers. In an article entitled "The Human Element" (1976), Wilfred Levitt pointed to the need to rotate auditors, describing the relationship otherwise between audit and client staff as "intimate almost incestuous" and a "slow poison to complete freedom of action and to absolute independence". The Arthur Andersen debacle of 2000 proved Levitt's case.

The current framework for dealing with issues of an auditor's independence is concerned with preventing auditors from completing non-audit (or "value added") services for audit clients. These are perceived to be the point of greatest conflict with clients. In the United States, the Enron debacle resulted in the passage of the Sarbanes Oxley legislation to prohibit auditors from performing such services for their audit clients (Monks and Minnow, 2004: 248). But as Cosserat and Rodda point out (2009: 12), such legislation has disregarded a number of key facts, principally the complexity of commercial environments, a corresponding complexity in audit practices, the great competition for clients evident in the auditing and accounting profession and perhaps, fundamentally, the public interest. This has resulted in the United Kingdom and other countries stopping short of actual legislation to regulate the issues, preferring instead to appoint independent regulators (instead of professional societies) to develop codes of conduct, to regulate non-audit services.

In South Africa, the response has been to introduce new legislation which created a new and enhanced regulatory authority responsible for controlling the auditing profession and, amongst other things, developing a code of professional auditor conduct. In the interim, in April 2006, the South African Institute of Chartered Accountants adopted the Code of Ethics for Professional Accountants issued by the International Federation

of Accountants (*SAICA Handbook*, 2009/10, Vol. 3: ET3). In the 2009 Manual of Information, the new South African regulator – the Independent Regulatory Board for Auditors (IRBA) – pointed out the usefulness of the SAICA Code. It also argued for the retention of its predecessor Board's Code as a transitional provision until such time as the newly constituted Committee for Auditor Ethics developed the regulator's code. As an indication of the rapid pace of change, in 2010, both SAICA and IRBA adopted revised and updated Codes (see the *SAICA Handbook*, 2010/1, Vols 2–3), the latter event marking the end of the transition from the PAAB to the IRBA.

THE DEVELOPMENT OF MODERN AUDITING AND ACCOUNTING IN THE UNITED KINGDOM

AUDITING

The idea of an audit stretches far back into antiquity. In ancient times, wealthy men would employ stewards to take daily care of their wealth in the form of cattle, land, slaves and produce. At intervals, stewards would be required to give an oral accounting of their charges and the master would listen to this recital and ask such questions as he believed necessary. From this practice sprang the word "audit" derived from the Latin "audire" meaning "to hear" and, acquiring over time, an additional meaning as "one who satisfies himself as to the truth of the accounting of another" (Puttick and van Esch, 2007: 2). In auditing's infancy, the most important qualifications for the position of auditor were a man's "reputation … integrity and independence of mind" (Woolf, 1997: 2). Accounting technicalities were a lesser concern, but auditors became increasingly reliant upon accountants for some form of numerical interpretation. There were three long-term results which arose from this situation – the audit function became dominated by accountants, auditors became accountants, and the two professions became synonymous (Woolf, 1997: 2).

The idea of an audit was well established in England (Chatfield, 1977: 111–3). A succession of company acts in the period 1844–1928 moved the concept of an audit from an accounting exercise to a more sophisticated "instrument of stockholder control" (Chatfield, 1977: 119) over the tasks delegated to their employees who managed the companies. Thus, during this early modern period, the main objectives of

an audit were "the verification of managerial stewardship and the detection of fraud" (Chatfield, 1977: 119), as has been demonstrated earlier.

Early audit work procedure was comprised primarily of:

(i) an examination of every transaction recorded by the entity's bookkeeper;
(ii) a comparison of journal entries made by the bookkeeper with their underlying documentation; and
(iii) the tracing of the postings from the journal to the ledger – which was recast in total – and then comparing the ledger to the trial balance and balance sheet (Chatfield, 1977: 119). Some of the bookkeeping concepts, such as the trial balance and the journal entry, dated back prior to the era of Pacioli's seminal codification, *Summa*, in 1494 (Peragallo, 215: 1956).

These three elements remain to the present day on the auditors' list of bookkeeping tasks to check. But while in the mid-to-late 19th Century, checking these fundamental procedures may have been sufficient to enable the auditor to form an opinion, they needed to be supplemented in modern times by more sophisticated audit tests. Moreover, such basic audit procedures could not detect deliberate misstatement in the form of fraud where the correct accounting form masked the dishonest activity. Taylor and Glezen (1997: 12–3) are critical of early "shareholder audits" where meetings would be called with shareholders who could then compare amounts in the balance sheet against the books of prime entry and agree that each entry had a supporting document. Audit independence was negligible and often auditors were required by the company's articles to own stock in the companies they audited. But the logic of the three procedures remains – as the balance sheet is made up of summaries of accounting data detailed in the entity's books of entry, proof that this data was correct "seemed a logical basis for an auditor's opinion on the resulting financial statement" (Chatfield, 1977: 120).

The continued widespread nature of basic audit techniques at this time is evidenced by an amusing exchange reported in the Grahamstown publication, the *Grocott's Penny Mail* of 11 November 1912. In response to the criticism of a Councillor Whiteside that the Municipality's auditors had only checked account balances – the implication being

that they wished to save on work and hence expense – the auditors, Ben B Attwell and Arthur Jubb, responded: "there is not a book in the Town Office from receipt book to ledger and all between that does not bear marks of our scrutiny and inspection".

The shortcoming of the three elements detailed above was that while all transactions could be summarised and journalised and the balance sheet agreed to the trial balance, errors in judgement and principle could exist, such as the incorrect calculation of provisions and estimates, thereby undermining the value of proper record keeping.

As early as the 1880s English auditors were adopting more sophisticated audit techniques. These included reviewing debtors for their existence and the recoverability of their debt by obtaining independent confirmation of debtors' account balances from them in the mail and then providing for the non-payment of estimated bad debts. In addition, audit work on inventory concentrated upon its existence and value with stock count sheets being signed off by those actually responsible for the inventory's receipt, storage and issue. As Chatfield has pointed out (1977: 120), further sophisticated audit procedures were created

- to ensure fixed assets were recorded at cost, that capital items had not been expensed and that the assets had then been depreciated in terms of an existing and uniform policy;
- to ensure dividend payments had not been paid out of the company's capital account;
- to ensure the company's directors had not exceeded their power to borrow money, encumber assets or any of the other duties and responsibilities entrusted to them by the company's shareholders by means of the company's articles and memorandum of association; and lastly
- to compare shares listed in the share register with share issue documentation and cash received.

One purpose of these procedures was to make certain that the concept of capital maintenance remained intact. In terms of this concept, a company's creditors could rely upon the fact that a company had assets equal to its issued share capital and this

represented a fund sufficient to meet the claims of creditors in the event of need (Van Der Merwe, 1995: 3–8; Cilliers, 2000: 322).

These types of procedures needed an expertise and experience beyond "the ability to backtrack a company bookkeeper and the history of auditing from the 1890s is one of upgrading analysis and de-emphasising routine verification" (Chatfield, 1977: 120). They also required a change in attitude, particularly amongst shareholders who still believed they had appointed the auditor to seek out fraud.

The positive development in audit practice was paralleled by an equal development of the accounting profession and the growth of common accounting standards. This development, together with the wide publicity given to dubious management profit reports prepared for shareholders, began to limit a previously "wide area of accounting discretion in accounting to shareholders" (Yamey, 1977: 28).

In an increasingly sophisticated commercial environment, a new challenge for the auditor was to review management's stewardship of the entity with less attention to the routine detail and greater focus upon the "scope of audit analysis" (Chatfield, 1977: 120). Until the late 19th Century, management saw little point in spending money establishing systems of internal control – that is: accounting controls introduced by the entity itself to control, prove and resubmit incorrect items to ensure the maintenance of accurate records, prompt financial reporting and the protection of the entity's assets (Dickinson, 1978: 38). Also, whilst statistical sampling techniques were known to be effective in use and in reducing time spent in auditing, they were only used by auditors when their clients were prepared to pay the cost incurred in setting up and executing such techniques. Experts were often employed and their use also increased the cost of the audit.

With experience, audit strategy changed as the advantages of sampling techniques began to out-weigh their cost, and as the need to determine the client's system of internal control became a preliminary audit procedure. Chatfield quotes (1977: 120) from a 1910 text by authors Spicer and Pegler entitled *Audit Programmes* where it was stated that the first audit consideration when beginning an audit was to "ascertain the system of internal control". Chatfield believes the acceptance of the importance of the

client's internal controls and the use of sampling techniques "allowed audit emphasis to shift from the detection of fraud and clerical errors toward a more refined scrutiny of reporting fairness" (Chatfield, 1977: 120). This point of view has lasted until the numerous financial frauds of the late 20th and early 21st Centuries indicated that a greater emphasis on risk assessment was needed in the course of an audit.

The growth of companies in Britain and the related legislation that developed to control them resulted in auditing becoming a specialised function. The creation in 1880 of the Institute of Chartered Accountants in England and Wales led to an examination requirement for admission and the examinations included questions on auditing, "which soon became one of the major subject areas for professional preparation" (Chatfield, 1977: 121).

Coupled with this growing sense of professionalism was the development of a specialised literature in the United Kingdom. This was evidenced by the creation of the profession's journal entitled *The Accountant* which often included articles on audit procedures and similar topics, and texts like FW Pixley's *Auditors, Their Duties and Responsibilities* (1881) and Lawrence R Dicksee's *Auditing: A Practical Manual for Auditors* (1892). The first edition of the former text dealt with the basic aspects in detail – the requirements of the Company's Act, bookkeeping, the forms of accounts and the duties and responsibilities of auditor and Dicksee's book rapidly became the standard text with over 35 000 copies sold in the period 1892–1933. It held this position until at least 1969 when its eighteenth edition was published (Chatfield, 1977: 121). By then, Dicksee was long dead and the task of maintaining the text had fallen to others, principally Stanley W Rowland, one-time Senior Lecturer in Accounting at the London School of Economics and Political Science, University of London, and a partner in the London firm of Sellars, Dicksee and Co.

Dicksee's text has been superseded by more modern books on audit theory. In particular, a former colleague of his in America – Robert H Montgomery – in 1912 published an American edition of Dicksee's book. He claimed the American text contained "radical departures" from those detailed by Dicksee in response to the fact that "more is now expected of the auditor" (1912: v). Yet Dicksee had a great and

continued impact upon accountancy and his 1905 edition is still available as a reprint from Amazon.com [Accessed 9/11/2011].

ACCOUNTING

At the beginning it should be noted that auditing and accounting are not mutually exclusive and auditors are usually skilled accountants. Indeed, to audit in public practice in South Africa to date has required the incumbent to be a chartered accountant.

The original creation of the Society of Accountants in Edinburgh in the 1850s was, in part, a result of the extensive commercial activity unleashed by the growing maturity of the industrial revolution in England begun over a century before, as well as the concomitant of that revolution, the creation of colonies throughout the world. The commercial ventures needed to be recorded in monetary terms but there was also a need for other expert financial services. Bookkeeping was a well established practice but many bookkeepers were employed by lawyers rather than practising as independent professionals (Littleton, 1933: 265). There was also a limit as to what bookkeepers could or should do. Thus, the growth in the complexity of financial transactions contributed to the creation of the more specialised field of accountancy. But some link was retained to those early days of the profession as practising accountants were sometimes members of the solicitors' societies. Chatfield (1977: 82) has developed a compelling argument for another reason in the growth of accountancy – the idea of a dynamic going concern. Whereas the basis for bookkeeping was historical (in that it recorded past events), commercial activity was continuous and present-and future-oriented. Thus, the value of an entity's assets was linked to its ability to create a constant profit stream rather than to what they could fetch upon the break-up of the entity or its liquidation.

These ideas in turn influenced the concept of capital maintenance as "both limited liability and the economic need for permanent investments require that paid-in capital be kept in the business" (Chatfield (1977: 82); Webb (1997: 378) has shown, that, with regard to Scottish banks and those in the Cape colony, limited liability entities

ultimately dominated because of their ability to attract a wide shareholding and thus a large capital base.

Between 1811 and 1847 in London, the number of accountants listed in the directories of the day increased from 24 to 186; from then, the increase to 1883 was slower but still grew more than fourfold to 840 accountants (Littleton, 1933: 268). Thus, within a single lifetime of 70 years "there had developed a body of independent practitioners offering skilled services to the public" (Littleton, 1933: 270). As Edey and Panitpakdi (1956: 356) have shown, in the mid-19th Century, the need to regulate a burgeoning in commercial affairs more closely than in the past, saw the introduction in England of the principle of general incorporation of companies by registration, but with unlimited liability. This was made possible by the passage of the Joint Stock Companies Act of 1844.

The joint stock company was a forerunner of the present-day company and had been a vehicle for commercial ventures in Europe since the medieval period (Littleton, 1933: 208). In exchange for a "share" in the company and the profits it achieved, "shareholders" contributed towards a common capital called "stock". The shareholding of an individual indicated the degree of interest and decision-making influence in the company. Apart from spreading the risk of any corporate venture, shares were easily transferable without the consent of other shareholders. But without limited liability, a joint stock venture could bankrupt investors beyond their holding in the company.

The 1844 Act had, amongst its objectives, the reform of the unsophisticated laws dealing with large joint-stock companies, weaknesses in which had seen the perpetration of much fraudulent activity. In fact, the great frauds of the early 18th Century had so impacted upon the national psyche in the British Isles that company formation had been discouraged for over a hundred years (Littleton, 1933: 288).

BUBBLES AND PYRAMID SCHEMES

One of the most notorious of these schemes was the "South Sea Bubble" or the "Great Swindle" of 1720 (Cowles, 1960). Some detail of the event is given in Appendix 3 as it foreshadowed the necessary rise of the accountant and auditor and the creation of limited liability companies. The previous occurrence of such "scams", however, is not

enough to prevent similar debacles as events in the recent past have shown, with members of the accounting profession actively colluding with their clients to mislead the public, the cases of Enron and WorldCom being amongst some of the most significant modern examples (Monks and Minow, 2004: 510–1).

The South Sea scheme displayed the characteristics of a modern pyramid scheme – a non-sustainable business involving the payment of money with little of real value being received in return and drawing in significantly greater numbers of people as the scheme gains momentum. The general characteristics of such a scheme have been identified by Niall Ferguson (2009: 123) as:

1. "Displacement" whereby unscrupulous and dishonest people see a questionable economic opportunity;
2. "Euphoria" in which apparent profits lead to increased values in the commodity which is the subject of the opportunity;
3. "Mania", the stage at which believing investors are drawn into the scheme;
4. "Distress" or the point at which the authors of the scheme realise that growth cannot continue and sell out to maximise their profits;
5. "Revulsion" or disintegration where prices of the commodity fall, investors panic and the bubble bursts with considerable loss to those unable to get out of the scheme in time.

Ferguson (2009: 113) identifies three further factors that contribute to the "mania":

- the authors of the scheme use their asymmetrical knowledge to their unscrupulous advantage, (that is: the inside knowledge available to them only and which gives them an economic edge over other investors);
- experienced speculators – but without the relevant inside knowledge – can act rationally and profit from the scheme before it collapses; and finally
- easy access to credit is not only available but a necessity.

Legislators are well aware of the linked concepts of moral hazard and asymmetrical knowledge, the former relating to the different behaviour of a party insulated against

risk while the latter describes a situation where one party knows more than another, thereby creating an imbalance. In commenting on the United Kingdom Companies Act of 1900, Lapp pointed out that

> "the legislature cannot supply the people with prudence, judgement or business habits … yet it must be generally acknowledged that a person who is invited to subscribe to a new undertaking has practically no opportunity of making an independent inquiry" (Lapp, 1908: 256)

and were thus easy targets for unscrupulous agents.

Despite legal safeguards and the existence of accountants, auditors and other professionals to conduct feasibility studies, "bubbles", or, in modern parlance, "Ponzi schemes" continue to rob incautious investors. In South Africa, the recent Tannenbaum scandal mirrors Bernie Madoff's fraudulent schemes in the United States, giving rise to sensational press headlines, such as Rob Rose's in the *Sunday Times* of 1 November 2009: "Lawyer loses $825m in SA's biggest Ponzi scam". In the immortal phrase attributed to American showman PT Barnum (1810–91), "There's a sucker born every minute" (*Quotations*, 1979: 34).

The impact of 1720 underlined the dangers of unlimited liability, unless covered by royal charter, and restricted effective economic progress by delaying the emergence of large joint stock companies and hence the need for qualified accountants and auditors. In the period preceding 1825, there was a heavy restriction placed upon the incorporation of companies as well as upon the legal acceptance of limited liability. As Webb has pointed out, the concept of limited liability "offers protection to the uninformed creditor of the organisation" (1997: 173). This was applied as a fundamental principle for the British banking system until 1825. In that year, the Bubble Act of 1720 was repealed in favour of a system of Crown charters and letters patent which specified the degree of liability for company indebtedness assumed by its shareholders. A uniform, compulsory system of limited liability had to wait 30 years until 1855. In terms of the concept of limited liability, the extent of the shareholders' loss in a failed company was limited to the amount invested by those shareholders in the company, leaving their personal assets untouched. Limited liability was an

important element in the industrialisation of the 19th Century as it allowed entrepreneurs access to significant amounts of capital from a large spectrum of investors who did not wish to risk anything beyond their capital contribution.

In South Africa, the importance of limited liability was recognised. In the Transvaal, Law No. 5 of 1874 limited the liability of members of certain companies and made possible the receipt of a certificate of [company] registration with limited liability from the Registrar of Deeds of the South African Republic. This issue was strictly regulated by the law but allowed inspection of the documentation at a rate of 1 shilling each per inspection and 9 pence for each page or copy extracted (Nathan, 1905: 86–93).

In the Cape, the Companies Act No. 25 of 1892 recognised both a limited company and an unlimited company. With respect to the former, the Act defined liability "of the members of which … by their registered memorandum of association [is] limited to the amount, if any, unpaid in the shares respectively held by them or by the operation of any Act of Parliament" (Tennant, 1894: 8).

COMPANY LEGISLATION IN THE UNITED KINGDOM

The development of company legislation in the United Kingdom in the 19th Century is important in South Africa in that it was used as a basis for regulating commercial activity first in the British Colonies of Natal and the Cape, and later in the Union. Both the Cape Companies Act of 1892 and the first Union-wide Companies Act of 1926 were heavily reliant upon company legislation in the United Kingdom for their content and form.

The Select Committee on Joint Stock Companies, whose investigations in 1841–4 preceded the Act, concluded that while financial statements might not mean much to inexperienced people, the existence of accounting and auditing requirements in the legislation – which set certain standards of disclosure – would force company directors to exercise care "so that, at least, the ignorant may not be so misled" (Edey and Panitpakdi, 1956: 357).

THE 1844 UNITED KINGDOM COMPANIES ACT

The Joint Stock Companies Act of 1844 was important in that it gave legal sanction to the incorporation of joint stock companies, but those in which the investors still carried unlimited liability. Nevertheless, the Act reflected a degree of modernity in the growing desire to protect investors through disclosure of information by the company's directors. For example, a "full and fair" balance sheet was to be made available for every ordinary meeting of shareholders, auditors were to be appointed and allowed complete access to the company's books and they were required to read their report on the balance sheet at the annual meeting of the company. A copy of the audited balance sheet was to be lodged with the Registrar of Joint Stock Companies and to be available for public inspection. However, in a backward step, the auditors required by the Act did not need to be professional accountants as well. Edey and Panitpakdi (1956: 357) speculate that it was expected the auditors would employ accountants to assist them on audits, but it was questionable as to whether auditors without detailed accounting knowledge would be able to achieve the goals of the Act. It also indicated that the profession had a way to go before its members were equally competent and versed as accountants and auditors.

The reality, of course, was that accounting practices were in the early stage of development and the idea of "a professionally qualified accountant" was only beginning to take root. As TA Lee notes (1978: 238), these early attempts at control "were of little help to the company investor in his decision-making activities, and the quality of the accounting information available to him [was] questionable". But it was a start.

The thrust of the new 1844 legislation was thus twofold: public registration of companies (and hence official knowledge and scrutiny of the proposed enterprise before it began) and control over the activities of company promoters and directors whose fraudulent and unchecked actions had caused much financial loss and social dislocation in the past. A later revision of the 1844 Act required the auditor to have at least one share in the company being audited (later dropped in the Act of 1856) but not to hold any office in it or to be interested in its affairs other than as a shareholder (and of course, auditor) (Littleton, 1933: 289). Parliament's intention was clear – the auditor

was to be the representative of the stockholders and responsible to them, not the directors.

Compulsory company registration with limited liability was introduced in England for the first time in 1855 by the Limited Liability Act and applied to companies of more than 25 shareholders.

THE 1856 UNITED KINGDOM COMPANIES ACT

In 1856, a new Joint Companies Act replaced the 1844 Act and in a retrograde step, repealed the compulsory accounting and audit requirements of the previous legislation. This state of affairs was to continue until 1900. Again Edey and Panitpakdi (1956: 361) speculate that the loss of these requirements was attributable to a belief that accounting affairs should be the subject of a private contract between the shareholders and their company directors, as well as a perceived inability to enforce the provisions of the 1844 Act. This, clearly, was a step back in the process of enforcing responsible accounting, but the chartering of the Scottish accountants two years before in 1854 had given the process of good governance a momentum that would not be diverted easily.

The 1856 Act was also significant for the reason that it introduced a set of model articles to be adopted by those companies who did not wish to devise their own articles. The concepts established in the set of model articles were more advanced than those in the 1844 Act. For example, auditors were to be elected by the company in general meeting, their remuneration was to be fixed at the time of their appointment, they were to be eligible for reappointment and they were required to state:

> "In their Opinion, the Balance Sheet is a full and fair Balance Sheet, containing the Particulars required by these Regulations, and properly drawn up so as to exhibit a true and correct View of the State of the Company's Affairs, and in case they have called for Explanations or Information, whether such Explanations or Information have been given by the Directors" (Edey and Panitpakdi, 1956: 364).

THE 1900 UNITED KINGDOM COMPANIES ACT

It was the 1900 Companies Act that first made the audit of companies in the United Kingdom compulsory. The information to be audited was that contained in the balance sheet and the auditor was given access to a company's books, records and information and explanations from its directors. Prior to this blanket cover for all companies, only certain incorporated commercial activities had to be audited compulsorily. These included railways (1868), gas (1871), banks (1879) and electricity (1882) (Cosserat and Rodda, 2009: 2).

THE GROWTH OF THE PROFESSION IN THE UNITED KINGDOM

This regulation of commercial activity by successive Acts of Parliament of the United Kingdom was paralleled by a growth in the number of associations representing the interests of accounting professionals who grew in number with the increased need by new and existing companies for people "to devise systems of accounts and methods of control" (UG49, 1935: 6).

The 1854 chartering of the Scottish accountants was followed in 1855 by the formation of the Institute of Accountants and Actuaries in Glasgow and in turn was followed by the formation in 1867 of the Society of Accountants in Aberdeen. Both were incorporated by Royal Charter (UG49, 1935: 6). In 1870, the Institute of Accountants was formed in London and 10 years later, in 1880, it received a Royal Charter when many accountants societies and institutes then in existence in England were incorporated into the new Institute of Chartered Accountants in England and Wales. A measure of limited unification in the English profession was thus achieved within 36 years of the passage of the Joint Stock Act of 1844. A national registration of members, however, remained elusive and as late as the 1930s there were no specific statutory restrictions on any person practising as a public accountant and auditor in the British Isles (UG49, 1935: 6). Cosserat and Rodda (2009: 4) point out that by 1948 most auditors in the United Kingdom were professionally qualified. A Board of Trade Committee appointed in 1930 reported against registration by legislation, preferring instead to allow regulation by the profession. This was clearly different from the South African experience and the drive towards a uniform, national process of registration.

THE AMERICAN EXPERIENCE

While focus of this thesis is on the United Kingdom and its dominions of South Africa, Australia and New Zealand, it is useful to consider the American accounting experience. Albeit the largest English-speaking nation in the world, when one considers the vast size of the United States of America, the loose nature of its federal system and the strength of the rights of individual states, the American experience had significant differences to those in metropolitan Britain and its dominions. However, it should be noted that British chartered accountants played a significant role in developing the American accounting system (Previts and Merino, 1979: 98).

Towards the end of the 19th Century, America was beginning to flex its economic muscle. This was reflected in the growth of practising accountants. The city directories of New York, Chicago and Philadelphia, for example, experienced a quick increase in the numbers of public accountants from 81 in 1884 to 322 in 1889 (Previts and Merino, 1979: 90).

Of significance is the brewer's boom of the 1880s, which attracted not only British capital, but also British accountants and auditors as brewing companies required audits of great detail. This is because the inadequacies of many American accounting practices – the notorious "back parlour" practices – caused concern to investors and the public about "the quality, ability and character of early native accountants" (Previts and Merino, 1979: 90). Thus, the British chartered accountant found a role in the American economy as he had done on the South African mines.

As with the final "clean-up" of accounting practices on the South African mines in the 1920s, so too in America. In America in the 1890s, the demand for quality service led to the establishment of at least three national public accounting firms and the recognition and establishment of the title "Certified Public Accountant" in the state of New York. The need for financial probity resulted in an influx of British auditors who were instrumental in the establishment of the American Association of Public Accountants (AAPA) which ultimately became the American Institute of Certified Public Accountants. In the early days, the AAPA did not have formal legal recognition of its public practice. In a process similar to the South African attempts through Parliament, the AAPA found it difficult to get a bill passed by the state of New York.

The draft Bill sought to prevent public practice by accountants who had not been licensed by the University of the State of New York. The Bill also required CPAs to be citizens of the United States and provided that only registered CPAs in New York State could act as expert accountants or paid auditors by state, county or municipal offices (Previts and Merino, 1979: 97). Audit techniques in this period comprised vouching all cash payments, checking footings and postings and following through trial balance and financial statements. As much as 75 per cent of the audit time was spent on footings and postings, but experience indicated that three-quarters of fraudulent activity was deliberately covered up by failing to account for cash receipts (Previts and Merino, 1979: 92).

After much lobbying, debate and compromise, the Bill was passed in 1896. One of the biggest changes was to waive the need to be an American citizen. This was possibly the result of a lack of skilled manpower. In the period 1896–7, 129 CPA certificates were issued and in December 1896 (see Flesher et al., 1996), the first CPA examinations in the state of New York were written with only four passes. The Transvaal Society similarly had poor examination results in its early years, and the parallel results, while interesting, are difficult to explain.

The state of New York's CPA legislation soon led to other states passing similar legislation – Pennsylvania in 1899, Maryland in 1900, California in 1901, Washington and Illinois in 1903, until by 1921, all states were covered by a CPA law (Previts and Merino, 1979: 100). This was a significant achievement, given the fractious nature of American politics. The process indicates clearly that informed opinion believed accountants needed to be regulated in the interests of the public good. It will be remembered that New Zealand achieved this goal in 1908, Australia in 1928 and South Africa finally in 1951.

While increased commercial activity was the primary spur to the development of the profession in the United Kingdom and the United States of America, what was the catalyst in South Africa? To be able to answer the question, some understanding of the political and economic situation in South Africa is needed. And, inevitably, as the process played out over the years 1913–51, sometimes there was a mutually influential interaction between the process and the political and economic development of South

Africa. As Thomson puts it, “the interplay between conditions, events, personalities and ideas as well as the interconnections between events themselves” (1972: vii).

CHAPTER 5: EARLY DAYS AND LEGISLATED RIGHTS IN A CHANGING POLITICAL AND ECONOMIC ENVIRONMENT: THE PROFESSION IN SOUTH AFRICA IN 1913

- Introduction
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- The Accountants' Registration (Private) Bill, 1913
- The Cape Society of Accountants, 1907, and the Society of Accountants and Auditors in the Orange Free State, 1907
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CHAPTER 5: EARLY DAYS AND LEGISLATED RIGHTS IN A CHANGING POLITICAL AND ECONOMIC ENVIRONMENT: THE PROFESSION IN SOUTH AFRICA IN 1913

INTRODUCTION

This Chapter links back to Chapter 3 and presents a snapshot of South Africa in 1913. As the Union progressed, economically and politically, so too did the profession of accountancy. Where previously the profession had been parochial, isolated and province-bound, the opportunities offered through parliamentary recognition and approval after 1910, transformed it into a national profession, ultimately a worthy competitor of the United Kingdom's chartered societies.

To understand the profession's development, it is necessary to consider it in its temporal context. South Africa in 1913 was the product of many complex and inter-related events, among them the discovery of mineral wealth, first in the form of diamonds, along the Orange River in 1867, and later in 1870 in the area that became known as Kimberley, and then the main discovery in 1886 of the Witwatersrand main gold reef. The increasing sophistication of geological survey methods and mining techniques led to the discovery of new gold reefs to the south-west of the Witwatersrand in 1930 (Saunders and Southey, 2001: 56, 78).

As Davenport (1987: 192) has pointed out, the diamond fields became the confluence of an agrarian society with the beginning of an industrial community, complicated by the "emergence of black-white confrontation in a new sphere". Horwitz (1967: 17) characterised it as the beginning of "the pull and the push off the land" with land and labour beginning their "market-moves and market-motivations", and all becoming sources of conflict. In addition to these elements, heavy investment in the mines and a Cape Government-sponsored programme of railway construction along the Cape's borders with the two Boer Republics, all contributed to the beginnings of a rudimentary infrastructure. Jean van der Poel detailed the development of railways throughout South Africa in the period 1885–1910 and concluded their existence, coupled with "high duty ports and valuable markets concentrated inland", (1933, Preface) were important elements in the political development of South Africa. There were significant economic

benefits, such as increased employment of people needed to operate and maintain an extensive, distributed rail system and its infrastructure. By the 1930s, it appeared the Government of the day had solved the "Poor White" problem (discussed later) and the railways had contributed to this situation (Feinstein, 2005: 86).

Such developments did much to stimulate the local economy by creating or extending commercial entities which required the services of bookkeepers, accountants and auditors. There was and remains a difference between the former and the latter two. Before the Parliamentary Select Committee in 1913, when asked to define a bookkeeper, the Secretary to Stuttaford and Company Ltd of Cape Town, a large mercantile concern with an initial capitalisation of £400 000, Mr JH Lowe replied: "I call a bookkeeper a man who posts a private or nominal ledger, takes out trial balances, expense accounts and so on" (SC3, 1913: Q3845). An earlier witness before the Committee – JR Leisk, the Secretary for Finance in the fledgling Union Government – stated that, in his opinion, the many and varied tasks requiring the attention of an accountant precluded any easy definition. Among the tasks he listed were "arbitrations, references and curatories" (SC3, 1913: Q2996). The Accountants' Registration (Private) Bill of that year limited its definition of an accountant to those people who "by virtue of their knowledge and past experience in the business of an accountant" carried on the activities of an accountant (1913: s9(5)).

The probable intention of this definition was to allow members of the four South African Provincial Societies easy registration; the careful determination of what constituted "past experience" could be used to exclude others. It is clear that the development of mining – principally of gold – was paralleled by the development of the accounting profession which was significantly influenced by the British profession at the metropolitan centre. It was no accidental occurrence that the first accounting society in South Africa to be established by statute was situated in the Transvaal, the centre of the gold mining industry in South Africa and at the time a British colony. Joint stock companies with a broad shareholding and a liability limited to that shareholding proliferated on the Witwatersrand in the late 19th Century. The directors of such companies would need to account for their stewardship of the company to the shareholders. Mining companies on the Witwatersrand, with predominantly international shareholders, called for good accounting and auditing procedures to

ensure the vital capital inflow to the capital intensive industry. Due to the poor, if regular, quality of the gold-bearing ore (Omer Cooper, 1988: 127), huge capital investment in opening up underground levels and steps was needed to extract ore on a scale which would make mining profitable (Personal communication: ACM Webb, 11 November 2011).

Other significant events included the Anglo-Boer War of 1899–1902 and the unification in May 1910 of the Cape, Natal, the Orange Free State (renamed in 1900 for a short period as the "Orange River Colony") and the Transvaal into a Union whose constitution was based upon the British experience of a sovereign Parliament and a flexible constitution, both of which were inimical to a long-term, political solution in South Africa. The reasons for this were the lack of homogeneity in the South African population, a "colour consciousness of most of the whites and the national exclusiveness of most of the Afrikaners" (Thompson, 1960: 483) strong enough to neutralise any idea of compromise and fair dealing with others. The prevalent concern was that should Afrikaners obtain a unified political majority, they would control the South African Parliament and use it to the detriment of other groups as a "flexible constitution provide[d] no legal safeguards against arbitrary government" (Thompson, 1960: 483). But this was not the case with the mainly English-speaking accounting profession and there is evidence to suggest support of the Bill in 1924 by senior Afrikaner politicians. Certainly, the 1951 Act was guided through the process by a senior Afrikaner cabinet minister – Havenga – and was passed into law by an Afrikaner parliamentary majority. With the exception of the inevitable and reprehensible exclusion of "other races", the Act of 1951 was a sound piece of legislation which recognised the rights of practising accountants and set the profession on a sound footing. The reality was that by 1950, Afrikaner penetration of business was a reality and was reflected in the establishment of insurance and investment giant Sanlam and the Rembrant Corporation (Feinstein, 2005: 178–9). There were other developments as well, for example, an emerging petty bourgeoisie of Afrikaner shopkeepers taking over from English predecessors. Also important was the agricultural cooperative movement in which Afrikaner farmers dominated. All these initiatives needed the services of a competent accounting and auditing profession (Personal communication: ACM Webb, 11 November 2011).

THE MILNER PERIOD AND ECONOMIC RECOVERY: 1901–5

At the conclusion of the Anglo-Boer War with the Treaty of Vereeniging on 31 May 1902, Sir Alfred Milner, British High Commissioner for South Africa and Governor of the Cape (1897–1905) as well as Governor of the conquered Boer Republics, sought to establish a united South Africa as a self-governing dominion within the British Empire. To this end, he worked tirelessly, creating an inter-colonial council with responsibility for new organisations common to both former Republics, notably the Central South African Railways and the South African Constabulary. In addition, the council had responsibility for the repatriation of former Boer prisoners and the reopening of schools.

The thrust of Milner's policy was to neutralise "the provincial spirit" (Davenport and Saunders, 2000: 236). The task he had set himself was a formidable one, given the strong republican sentiment in the former Boer Republics and the fact that "the self-governing institutions of Natal and the Cape Colony placed them beyond the control the British Government exercised over the Transvaal and the Orange Free State" (De Kiewiet, 1941: 144). This spirit often manifested itself later in debates in the House of Assembly. The passage of the 1926 Companies Act is a case in point. There was much debate and jockeying as to where the Registrar's office should be located (see, for example, USA, Debates, 26/2/1926: 977–81).

Milner realised that to achieve his political goals he needed to achieve economic recovery within the former Republics. To this end he initiated a period of reconstruction, making the resurrection of the mines a key element in his policy. Part of the process of recovery was the passage of the statutory requirement that all publically practising accountants in the Transvaal needed to be registered. The purpose of this registration was twofold – the Ordinance, firstly, set a standard for the profession and secondly, it thereby gave investors a degree of confidence in the existence of a managed economy, in so far as that was possible. By 1904, gold mining had returned to its pre-war levels, reaching production worth £32 million in 1910 (Davenport and Saunders, 2000: 237).

Documentation in the SAAHC archives points to a high level of political involvement in the passage of the Transvaal Ordinance. Alexander Bruce, the ninth Earl of Elgin,

and Secretary of State for the Colonies from 1905–8, (Davenport, 1987: 241) oversaw the move to responsible government in the Transvaal and the Orange River Colony and ensured that after it had been passed, the Ordinance was kept on track by encouraging professional interaction between the Institute of Chartered Accountants (Moorgate Place, London, United Kingdom) and the Transvaal Society of Accountants (123 Exploration Buildings, Johannesburg, Transvaal) (SAAHC, TSA Legislation and Communication of Incorporation, 1906–60. Tvl Ord. 18b, 59/5).

Undeterred by a serious labour shortage immediately after the end of the war, Milner introduced indentured Chinese labourers from 1904 with mixed success and the last labourers returned to China in 1910. In the intervening six years, the recruitment of Black labour from southern Africa increased and ensured a steady flow of mine workers that made economic recovery and expansion possible. Davenport and Saunders argue that the continuity of supply achieved in the period 1904–10 by using Chinese labour, enabled the mining companies to pay low wages and to establish a policy of job reservation (Davenport and Saunders, 2000: 237, 613). Whatever the long-term results, the Chinese labour did much to stabilise South Africa's gold mining industry at a critical point in the country's history and indicated the lengths the Government of the day went to to protect gold production (Hobart Houghton and Dagut, Vol. 2, 1972: 2). As Feinstein has shown, gold was the "export staple" for South Africa while the mining companies were mostly foreign-owned and reliant upon foreign capital (2007: 93). He has also pointed out that gold was "not just another commodity" but the foundation of the world's money supply until 1971 when the Bretton Woods agreement collapsed. The impact of gold mining upon South Africa's development was thus critical and revolved around two facts – mining was the greatest earner of foreign currency and source of capital and it was an investment dominated by foreign capital.

While the Transvaal Ordinance of 1904 for the registration of accountants was a successful economic initiative, an unintended consequence of Milner's drive to economic recovery materialised during the 1907 economic depression when members of the Transvaal Miners' Association and other White trade unionists went on strike. The strike was broken within three months but during that period the mines were able to continue, partly due to the fact that skilled British workers remained at their work and partly due to the ability of the mines to hire unskilled *platteland* Afrikaners at low

wages. “Thus began that invasion which was destined to Afrikanderise [*sic*] the Transvaal trade unions so markedly in the course of a single generation” (Walker, 1957: 518). The immediate objective of White trade unionists was to stop the “flood of cheap white labour” (Walker, 1957: 518) by the creation of the South African Labour Party. Walker believed these events marked the beginning of the rise of Afrikaner influence in the Transvaal, the richest of the four colonies, within five years of the Treaty of Vereeniging. Yudelman perceived a more subtle relationship in which organised White labour was broken and then manipulated, as and when needed, by an opportunistic grouping of state and capital which, in time, became a “symbolic relationship” of White labour, state and capital (Yudelman, 1983: 4).

A further plank in Milner’s policy of reconstruction was to ensure continued British domination, both politically and culturally in South Africa after the departure of the military. To this end, he sought men with farming experience and envisaged the settlement on the land of at least 10 000 English-speakers. The strategy failed for, amongst other reasons, a lack of funding to purchase land and a legal inability to expropriate it. In the end, the attempt resulted in the settlement of about 1 300 “heads of families” (Davenport and Saunders, 2000: 238–9).

Milner also envisaged the Anglicisation of education. The plan here was to restrict the use of Dutch in schools by the teaching of English as the primary language; thereafter, to use the English so learnt to teach other subjects. Understandably, Afrikaners resented the deliberate side-lining of their language. Afrikaans in 1902 was still largely a spoken language with little written structure or literature (Thompson, 1960: 19). An earlier remedy to this situation and to unify the language, the *Zuid-Afrikaanse Taalbond* had been established in the 1870s, but divisions amongst Afrikaners meant little progress had been made. Nevertheless, spurred on by Milner’s programme of Anglicisation, the *Volk* responded favourably to the revival in 1903 of the *Taalbond* by one-time Afrikaner Bond leader in the Cape Parliament, Jan Hofmeyr. Afrikaners also supported the creation of alternative schools in the Transvaal as well as a *Christelike Nasionale Onderwys* (CNO) committee to coordinate local education committees and the quality of examinations. While the CNO was unable to displace Milner’s Government schools, it “stimulated national sentiment among the rising generation” (Walker, 1957: 513–4). As a final tactic, Milner proposed to deny political power to the whites in the former

Boer republics until British control was achieved (Davenport and Saunders, 2000: 239). This was doomed to fail, as was his entire ambitious plan of social engineering.

With growing concern about Milner's policies, the Afrikaners began to organise themselves politically. In the Cape, Jan Hofmeyr renamed his Afrikaner Bond the South African National Party (Welsh, 2000: 373) to attract moderate English speakers, while in the Transvaal, Louis Botha, one-time Boer general, organised and chaired the *Het Volk* party from 1904 and dedicated it to conciliation and self-government (Walker, 1957: 514). By 1905, Milner had exhausted himself with his work and in April of that year he retired from South Africa where he was succeeded by Lord Selborne. Within a year of Milner's retirement, it became obvious that the British alone could not arrange an acceptable future for the former Boer republics and that some form of greater consensus was needed.

THE POST-MILNER PERIOD: 1905–8

The impetus for a change in direction came with the fall of the Unionist Government in Britain in December 1905. The creation of a new Liberal Government led by Sir Henry Campbell-Bannerman put in power a man who was disposed to grant the Transvaal full responsible government (Davenport and Saunders, 2000: 252). In this, Campbell-Bannerman had the support of Jan Smuts, one-time Boer general and future South African Prime Minister, when he dispatched a Committee of Inquiry led by Sir Joseph West Ridgeway to South Africa to test opinion.

The Committee recommended a seating structure in the Transvaal legislature which appeared to favour British Transvalers but was basically flawed as a result of inaccurate information. In the 1907 General Election, the Afrikaner party, *Het Volk*, won the majority of seats in that province.

Based upon the recommendations of the West Ridgeway Committee, the Transvaal constitutional structure comprised a 69 member Legislative Assembly and a Legislative Council of 15, the latter nominated in the first instance. The electorate was White, and, so as not to alienate White opinion in the Transvaal, Article 8 of the Treaty of Vereeniging was ignored. This Article provided for the enfranchisement of Blacks on the award of self-government, should the White majority so agree (Davenport and

Saunders, 2000: 240, 254–5). A similar constitution was granted to the Orange River Colony in 1907 and in the first election, in 1908, the local Afrikaner party, *Orangia Unie*, won the majority of seats in its Legislative Assembly. With the South African Party winning the General Election in the Cape, self-government country-wide by 1908 was a reality.

The next step was union. Where previously a federal system with the allocation of powers to its constituent states seemed the best system within which to accommodate cultural and regional differences, the newly empowered Afrikaner leaders favoured a unitary system. A National Convention was convened and first met in October 1908 in Durban; the strongest and most able proponents of federation – Hofmeyr and WP Schreiner, one-time Prime Minister of the Cape from 1890–1900 – were absent (Walker, 1957: 531).

THE NATIONAL CONVENTION: 1908–9

Davenport has stated that the National Convention was mainly concerned with the division of power and that this was illustrated by the distribution of delegates (Davenport and Saunders, 2000: 258). No Blacks, Coloureds or Asians were represented while the governments and their oppositions in the four colonies were represented equally. The Transvaal representatives were well prepared and Smuts, together with John X Merriman, Prime Minister of the Cape from 1908–10, put and carried the case for a unitary system within a legislative union under the British Crown represented by a Governor-General. In this arrangement, the four self-governing colonies were to be provinces, and Parliament was to be sovereign and central in terms of a written constitution, which could be amended by a simple majority in both the House of Assembly and the Senate. This excluded the provisions which entrenched the Coloured enfranchisement in the Cape and those which accorded equal status to the English and Dutch languages. Any proposed changes to these provisions needed a two-thirds majority in a joint session of both Houses at the third reading (Davenport and Saunders, 2000: 259), (Davenport, 1987: 247).

THE SENATE AND HOUSE OF ASSEMBLY

The composition of the 40 member Senate – to sit for 10 years – caused little trouble with each province electing eight senators and the Governor-General nominating the

balance, including four on the basis of their knowledge of "the reasonable wants and wishes of the coloured races" (Davenport, 1987: 247; Walker, 1957: 532). The membership of a proposed House of Assembly with a life of five years and an initial 121 seats caused deadlock over the allocation of those seats to the provinces and Black representation. The latter problem was resolved by an agreement that the existing franchise arrangements in the provinces should remain but that no Black person should be elected to Parliament (Davenport, 1987: 248).

Agreement was made on allocating seats on the basis of the White adult male population. On this basis the Cape took 51 seats, the Transvaal was allocated 36 and Natal and the Orange Free State each received 17 seats for 10 years or until the number of seats in the Assembly reached 150 (Davenport, 1987: 248). This clearly impacted upon votes available in the House.

THE REDISTRIBUTION OF SEATS

The Convention provided for future growth by adopting an Australian scheme of automatic redistribution whereby a Union quota was established initially by dividing the total of White male adults in the four colonies in 1904 by 121, the total number of seats in the first Union Assembly. If after the next census the number of White men in a province had increased by the number of the quota, that province would receive an additional seat in the Assembly; if the number had decreased by the quota a province would lose a seat (Walker, 1957: 534). In this scheme, the Cape stood to lose as in 1904 its population had peaked due to an influx of refugees from the Transvaal and the attraction of a post-war boom. But now the Transvaal was benefiting from a new wave of immigrants and thus would gain more rapidly than the Cape over time (Walker, 1957: 533–4) and therein lay the seeds of future friction. The agreement reached gave the Cape an average of 2791 votes per constituency, the Transvaal 2715, the Orange Free State 2131, and Natal 1647 (Davenport, 1987: 248).

THE JUDICIARY

With regard to the judiciary, the existing Supreme High Courts and their sub-divisions were merged into one Supreme Court with Provincial and Local Divisions. There was to be an appellate Division with no appeal to the Privy Council unless approved by the King-in-Council.

THE PROVINCIAL STRUCTURES

The four new provinces – the Cape, Natal, Transvaal and the Orange Free State – were each to be administered by an administrator paid by and appointed for five years by the Union Government. In each province, there was to be a provincial council elected for a period of three years by the parliamentary voters in that province. The Natal and Orange Free State councils were to comprise 25 members each while those for the Cape and Transvaal were to be equal in number to their representation in the House of Assembly. An executive committee of four was to be elected for three years by proportional representation by each provincial council to assist their respective administrators. These provincial structures had no sovereign power and could only perform such duties as the South African Parliament required (Walker, 1957: 534–5).

THE WORK OF THE CONVENTION

During the period of its existence from October 1908 to February 1909, the Convention considered and resolved many issues. Some – like a coherent policy dealing with Blacks and a language policy for education – were ignored; others, like a carefully defined relationship between the provincial governments and a central Parliament, were only partially settled; while still others, like the sensitive issue of the site of a national capital city threatened to wreck the Convention. Parochialism was a consistent issue; in 1926, the debate in the House of Assembly on the Companies Act spent much time on the issue of in which province the Registrar's Office was to be situated (USA, Debates, 26/2/1926: 977–87). A compromise saw Parliament sitting in Cape Town, the Appellate Division situated in Bloemfontein and the Executive placed in Pretoria in the nearly completed Union Buildings. This cumbersome compromise which involved much travelling by civil servants, parliamentarians and others has nevertheless shown a remarkable resilience and longevity.

Once compromise had been achieved, a draft Union Bill was published, further amendments considered and resolved, and, finally the revised bill was accepted by the Cape, Transvaal and Orange Free State. In Natal, there had been concern as to the Province's share of rail traffic to the Rand. A proposal to exclude railways and harbours from the general administration budget and to give these services their own budget handled "on business principles" (Walker, 1957: 535–6) was supported by a referendum in Natal. The resulting favourable majority there underlined the desire of

most Natalians to be part of the unification process and sidestep the probability of Durban losing trade to Lourenço Marques (now Maputo).

The final step towards Union was for the Bill to be passed by the British Parliament. While there was serious criticism of the unitary nature of the proposed Union and its failure to resolve the inferior position in which the Bill placed Blacks, it passed and received the King's assent in September 1909, becoming the South Africa Act. As Walker commented:

> "Thus did liberals in the United Kingdom enact and like-minded men of all colours in South Africa willy-nilly accept a state which they believed and prayed would lead to the victory of the Cape's well-tried civilisation principles throughout the Union. It was a huge political gamble" (Walker, 1957: 537).

It took less than a year to create the South African Union; the Australian Federation took 10 years to craft, that in Canada, three years (Davenport, 1987: 249). The Federations continue to exist much as they were formed, but the Union has long passed into history.

The political events of 1909–10 overshadowed the passage in 1909 of what was later to be seen as an important piece of legislation, the Transvaal Companies Act which, together with the English Companies Act of 1909, was later to form the basis of the Union-wide Companies Act of 1926 (See Van Wyk de Vries Commission of Enquiry, 1963–70, 45/1970: 5). This 1926 Act in turn represented an important milestone in South Africa's commercial growth and is discussed in detail in a later Chapter.

UNION: 1910

POLITICAL PARTIES

The first Prime Minister of the new Union of South Africa was Louis Botha, born in Natal, raised in the Transvaal, a former Boer General and "a representative of the dominant North" (Walker, 1957: 537). After a formal proclamation of Union he was confirmed in office by the first Governor-General, Lord Gladstone. Thus began what DW Krüger (1958: Introduction) dubbed the "Age of Generals" – Botha, Smuts and

Hertzog – which spanned the period 1910–48, years of great significance to South Africa's future political, social and economic development.

With the arrival of a new age in politics, political parties aligned themselves in the House of Assembly. Botha sought and obtained an amalgamation of *Het Volk*, *Orangia Unie* and the South African Party (including the Afrikaner Bond) into a new South African Party. This party lasted until 1934 when it amalgamated with Hertzog's National Party to become the United Party (Saunders and Southey, 2001: 158).

Shortly before the Union came into existence, Leander Starr Jameson, one-time friend of Cecil Rhodes and Prime Minister of the Cape from 1904–8, formed the Unionist Party. It consisted mainly of English-speakers from the Progressive Party of the pre-Union Cape Colony and its objectives were to support the Union and to help Botha in limiting the extremists in his own Party (Walker, 1957: 538). Inevitably, Botha became increasingly reliant on Unionist support and the Party merged with the South African Party in 1920. The pro-British Dominion Party formed in 1934 assumed the Unionist role (Saunders and Southey, 2001: 182) while Natalians often stood as independents. A new force in Parliament in 1910 was the Labour Party led by FHP Creswell, one-time mine manager. Indeed, the Labour Party "punched above its weight" in the period 1924–9 when it accepted an alliance with Hertzog's National Party to create the majority Fusion Government. Labour made the most of its temporarily enhanced and elevated position in the House of Assembly to attack those provisions of the Accountants (Private) Bill of 1924 it found objectionable. Among these was the perceived wholesale exclusion of certain groups of accountants, such as those in municipal and Civil Service.

THE FIRST GENERAL ELECTION

In the first General Election held in September 1910, the 121 seats available in the House of Assembly were won as follows: Unionist Party, 39; South African Party, 67; Labour Party, four (which grew to 21 in the 1920 election); and Independents, 11 (Davenport and Saunders, 2000: 710). While Botha had secured a majority, the expected Afrikaner opposition failed to present a unified front and it was the splitting of the English-speaking vote into three that ensured Botha's majority (Walker, 1957: 538).

THE ECONOMY AND ACCOUNTING PRACTICES

The political union stimulated the union of economic entities and professional bodies across the four Provinces.

The economies of the four colonies consolidated into the Union in 1910 were based largely on mining in the north and agrarian activities throughout the country. This made them vulnerable to drought, a regular occurrence in southern Africa. The professions like architecture and accountancy were usually based in one province often with stronger ties to the United Kingdom than to their colleagues in another province. The passage of Union-wide legislation began to change this.

The exploitation of the diamond fields in the north-east Cape following the discovery of diamonds in 1867, ultimately generated the initial capital that was used to fund early gold mining on the Witwatersrand (Webb, 1981: 2). The increasing costs involved in retrieving diamonds from depth after the surface had been cleared, made it a sensible proposition to consolidate mining claims (Webb, 1981: 8) and this became a business technique utilised by astute individuals like Cecil Rhodes (Webb, 1983: 170). Little capital was "put up" for the original establishment of small diamond mining companies. These companies were often joint stock companies formed with claim holders who received vendor stock in return for their land claims (Webb, 1983: 170).

By 1889, the final, complete amalgamation of claims and hence consolidation of diamond mining in South Africa had been achieved with De Beers Consolidated Mines Limited at the ultimate apex, but at a cost – the loss of South African capital in the collapse of the first Johannesburg Stock Exchange gold boom of 1889. More significantly, Webb has pointed out that in the process of consolidation, "the strength of Kimberley's capitalists was revealed, not so much in their own resources but in their access to international finance" (Webb, 1981: 23; 1983: 171). Thus began the domination of the gold mines by foreign capital, an increasingly unpopular practice as reflected in the tone of some debates in the House of Assembly in the 1920s and the adoption of the slogan "South Africa First".

The Kimberley mining experience also resulted in the creation of the labour compound system in 1889 which was to become a standard arrangement on the goldmines (Webb,

1983: 172). But as Woolf (1997: 3) pointed out, the practice was not new or peculiar to South Africa. In order to obtain land and labour during the Industrial Revolution in England in the 18th and 19th Centuries, English industrialists had actively arranged – often by successive Enclosure Acts passed by the Westminster Parliament – for small landowners to lose their land. Destitute, the former landowners and their families were forced to work in unhealthy conditions and for low wages. Similar scenes were played out in South Africa (Omer-Cooper, 1988: 159).

After the end of the Anglo-Boer War, gold production in the Transvaal increased every year until it reached pre-war totals of £16 million in 1904 and £32 million in 1910. The White population in the Transvaal increased as a result of immigration from 297 000 in 1904 to 421 000 in 1911 (Thompson, 1960: 52). Immigrants were drawn largely by the opportunities available in mining and its spin-off activities. While revenue received by the Transvaal Government rose and fell in the period 1902–10, it still achieved a surplus in each of these years while the Central South African Railways in the Transvaal and the Orange River Colony benefited those two colonies with the significant profits they generated. In the latter Colony, the White population increased from 143 000 in 1904 to 175 000 in 1911 (Thompson, 1960: 53).

In Natal, the White population only increased from 97 000 in 1904 to 98 000 in 1911 and its Government consistently over-estimated its revenue, achieving deficits in five of six years 1902–7 (Thompson, 1960: 54). In the Cape, the reduction in 1907 of the extent of diamond mining centred on Kimberley impacted negatively on the Province's exports. Similarly, its population increased only from 580 000 in 1904 to 582 000 in 1911, and the Cape Government, too, overestimated its revenue base, achieving deficits in five of the six years 1904–9 to a total of £3.6 million (Thompson, 1960: 54).

The governments of the two coastal colonies had limited sources of revenue. These were mainly customs charges on imports and railway dues, which in 1903 and 1909 respectively comprised 32% and 48% of the Cape's revenue, and 24% and 53% of Natal's. The mining of large deposits of diamonds and gold in the interior stimulated the building of railways to link the ports to the mines and thus enabled the flow of essential materials – such as steel – to the mines and diggings. Prior to the discovery of gold, the Transvaal had been solely dependent on the coastal colonies for its imports.

These colonies had used this to their own advantage and had refused to share the dues collected on imports (De Kiewiet, 1941: 123–4).

The discovery of gold in the Transvaal changed the dynamics of the situation. In 1887, the Transvaal proposed a union with the Orange Free State, the closing of their respective borders to railways from the coastal colonies and a railway line, instead, to Delagoa Bay in the Portuguese territory of Mozambique. However, the Free State preferred to deal with its British neighbours and a customs union was achieved with the Cape, but not Natal. Despite these differences, the building of railways went on rapidly – the Natal line reached the Transvaal border in 1891 and the Rand in 1895 while a line from Port Elizabeth to Bloemfontein reached the Rand in 1892. The first train from Pretoria to Delagoa Bay travelled there in 1894 (De Kiewiet, 1941: 125). The entire pre-war period was characterised by rivalries, and tariffs were used as weapons or incentives.

The Anglo-Boer War changed the dynamics again and for a short period the colonial ports enjoyed a boom rooted in the increased military traffic. But in the immediate post-war period, the need to stimulate recovery in the Transvaal meant the cheapest railway link made the most economic sense, particularly as Milner was able to factor into the situation an agreement with the Portuguese to allow the mines to recruit Black labourers in Mozambique. In 1908, the Cape's share of the tonnage of traffic through the ports had fallen to 13% from a 1903 figure of 24% while that of Natal went from 42% in 1903 to 24% in 1908. In the same period, Lourenço Marques increased its share from 34% to 63% (Thompson, 1960: 55).

A Customs Union Convention in 1906 achieved little as the economics of the situation required high tariffs for the coastal colonies and low tariffs for the former republics while the politics of the situation required a different solution (Thompson, 1960: 60), which would only materialise with Union. With the South Africa Act, the ownership of the railways in the four colonies was given to the Union Government after the National Convention had resolved a number of issues. Among these was the separation of the administration and finance of the railways from the general administration of the Union; a financial mechanism to smooth rates charged throughout the country,

regardless of traffic fluctuations (Van Der Poel, 1933: 144). The reorganised railway system was to contribute to the booms in the economy in the 1920s and 1930s.

In some economic activities, the news was consistently good. For example, the demand for sugar on the Witwatersrand grew after 1902. The period between 1910 and 1927 saw the output of sugar treble until the industry in Natal was in the position of protecting a high domestic price while producing a surplus for export at a lower world price (Benians *et al.*, 1963: 827).

ACCOUNTING PRACTICES

The increased economic activity in South Africa created by the diamond and gold mines resulted in a corresponding increase in the need to record the routine costs incurred by a mining company in purchasing explosives, drills and shovels, and to account for the more complex capital expenditure on stamps, mills, cyanide processing of crushed ore, the cutting of tunnels and, most importantly, the servicing of debt and the payment of dividends. So important were the latter payments that Consolidated Gold Fields – in the 43-year period between 1893 and 1936 – allowed only nine years to pass with no dividend being paid to investors. Of these, four years related to the period of enforced shutdown or minimal activity caused in the years 1899–1902 by the Anglo-Boer War. Dividend payments resumed promptly at year end in 1902 (The Goldfields, 1937: 132–3).

Bookkeepers could manage the routine accounting work and accumulate the annual financial data to enable the more experienced accountants to determine whether a profit had been made and whether dividends could be paid.

Charles Goldmann's ambitious compendium of financial, statistical and historical data on gold "and other" companies on the Witwatersrand was published in 1892. The detail it provided was encyclopaedic. For example, the ore reserves at 30 September 1891 of the Witwatersrand Gold Mining Co. Ltd were estimated to be 20527 tons with a cost of milling and mining of 15s 6d per ton (1892: 64B). These were key facts for any investor, but little information is provided as to how the facts were calculated or, indeed, the reasoning underpinning the estimate. For the Crown Reef Gold Mine Co.,

calculations were provided to support the half-year expenditure at 30 June 1891 on the capital account of £13 598 8s 9d (1892: 67B)

Two points are clear – the calculations required a degree of skill and experience to conceptualise and effect, and secondly, by changing certain figures, significantly different results could be achieved.

Webb (1981) has detailed the *laissez-aller* approach to accounting practice adopted by early mining companies on the Witwatersrand in the period 1886–94. For example, the development costs of some mines were expensed immediately, thereby reflecting heavy working costs (Webb, 1981: 79). A more carefully conceived practice was the use of a mine development and redemption account in terms of which development expenditure incurred to reach a certain underground level was matched to the estimated quantity of ore at that level. This expenditure was then expensed to working costs only when that ore was crushed and not when the development originally occurred (Webb, 1981: 175). Expenses could thus be deferred or even result in an asset should the ore estimate exceed the expense. The practice of estimation was, at best, an educated guess and impacted negatively upon the value of financial information.

Another dubious practice was that of declaring dividends out of assets or loans (Webb, 1981: 181–2) testifying to the intense need both to reward and retain capital investment.

Inevitably, speculation and fraud flourished, the latter being corrected by hard economic reality (Webb, 1981: 10), the former by the appointment of auditors to determine how the fraud was perpetrated, to quantify the losses incurred (Webb, 1981: 85) and to introduce mechanisms to prevent its recurrence. That the auditors were able to complete these tasks is testimony to the growing sophistication of the profession.

South Africa's early economy was not the only fledging economy that suffered from poor and erratic corporate financial reporting. In the United States, for example, railroad securities (similarly, gold and diamonds in South Africa) controlled the capital market to the extent that by 1900 there were more than one million American investors owning stock (Previts and Merino, 1979: 80). In such a "get rich quick" environment, it is not surprising that a blanket of secrecy was often drawn over the financial affairs of

railroad companies. This was noted in a 1900 Government report on the subject. The report indicated that there was also a total lack of responsibility shown by directors to stockholders. Another common example of poor accounting practice was the "private ledger" which detailed capital expense accounts, directors' salaries, and creditors and debtors totals. These ledgers were literally padlocked and the preserve of a trusted employee or designated director. This individual also posted the originating amounts from the normal accounting records, maintained a trial balance and was the only person who at any time knew the true financial state of affairs of the company (Previts and Merino, 1979: 81).

This situation was partially ameliorated by British chartered accountants in America who had experience of the application of the British Companies Act and could modify its principles for use by their American counterparts (Previts and Merino, 1979: 91).

One principle which was elusive in its application was that of an appropriate method of asset evaluation. Depreciation was usually not charged on the fixed assets of American companies and asset cost remained at book value. The Remington Arms Company, for example, did not disclose depreciation in its financial statements until well into the 20th Century (Previts and Merino, 1979: 81).

In general terms, many railroad companies contained operating costs, including critical costs such as maintenance of assets. At year end the account headed "surplus shown above charges" / "dividend", would be used to absorb maintenance costs spent but not posted to the general ledger. The final result was that the company would have no surplus and the line item "surplus above charges" would be a simple book entry (Previts and Merino, 1979: 84).

As a result of this and other questionable practices, there was growing public concern about fair financial disclosure. One consequence of this concern was the establishment in 1887 of the Interstate Commerce Commission. In 1894, the Commission published a functional system of accounts entitled *The Classification of Operating Expenses* (Previts and Merino, 1979: 85). It was one of the initiatives that led ultimately to a more standardised and understandable system of financial reporting.

While responding to a financial problem after the fact was a poor recommendation for financial probity, a better one was a system of accounting standards addressing potential problems, while the best of all was the international and total standardisation of mine accounting.

As Vent and Milne (1989) have shown, between 1895 and 1915 there was a sustained and energetic international effort to create such a system in the mining industry. There were two main reasons for this – uniformity and hence comparability of financial information and through these principles a public who had more trust in the financial statements of mining companies and were thus more willing to invest in mining ventures.

Standardisation had wide support including, in 1897, that of the Transvaal Institute of Accountants and Auditors; the alternative was a multitude of methods "seemingly designed to conceal rather than reveal the financial position" (Vent and Milne, 1989: 60). Obfuscation was also prevalent in South Africa where the cost of sinking mine shafts was often capitalised, but the size and regularity of an annual amortisation charge to the income statement was erratic and dependent upon profit for the year and the need to pay dividends (Vent and Milne, 1989: 61). Rates fluctuated between 5–25%. In an attempt to exert some uniformity of calculation in a chaotic situation, South African mines registered in London were obliged by their auditors to charge depreciation (1989: 66).

While the late 19th Century may have seemed the nadir in terms of reliable mine accounting, the "cowboy" days of the mining industry in the period 1867–97 were ending. In 1897, the Transvaal Institute of Accountants and Auditors began actively promoting the idea of a widely accepted uniform system of mine accounting (Vent and Milne, 1989: 61). It achieved limited success but contributed to the culture of change fundamentally that altered the mining industry in the period 1880–1920. Some of the changes included single property companies being taken over by larger multi-property organisations; increased technological expertise in finding and extracting ore; and the replacement of the "old school" learn-on-the-job miners with tertiary educated mining engineers. These new men had a greater sense of the need for proper accounting and

uniform procedures to produce the accurate financial statements demanded by shareholders.

Although a form of international standardisation was a long way in the future, the process created positive spin-offs in that accounting issues were openly discussed. For example, JH Pim – later to give evidence before the South African Select Committee of 1924 – gave a lecture in London in 1898 to the Chartered Accountants Student Society. In it, he espoused the capitalisation of property acquisition and preproduction costs but not their amortisation. The rationale behind this was that the mine was a single asset whose cost was unknown until it was exhausted. Property costs thus needed to be deferred until that point had been reached. The effect would have been to increase profit without allowing for a proper accounting for costs. Similarly a proposal was made to use secret revenue reserves to smooth income over several accounting periods. This was clearly manipulation of financial information to own advantage.

In 1910, the Union of South Africa was principally a non-industrialised country, heavily reliant on mining and with unsophisticated agricultural practices (Hobart Houghton and Dagut, Vol. 2, 1972: 3). It needed to develop the necessary communication infrastructure to underpin its future economic progress. But political Union also meant a potential for a unified and reorganised railway system linking internal markets to ports and the abolition of internal customs barriers. It also meant greater administrative economies and support for agriculture in the form of legislation to control animal diseases, irrigation schemes and water rights, all of which culminated in the creation in 1912 of a centralised Land and Agricultural Bank of South Africa (Hobart Houghton and Dagut, Vol. 2, 1973: 4).

The 1911 census results published in July of that year listed the assets of the new Union from people to ploughs. Of significance for the future, the census listed a "European or White Race" total of 1 278 025 people, a decrease of 0.14% on preliminary figures, while people "other than Europeans or White" amounted to 4 697 152 or an increase of 0.36% on first totals (Census 1911: Part 1, x).

The period 1910–3 was one of moderate economic progress for the fledgling Union. In 1913, for the first time, Union revenue receipts exceeded expenditure (*Union Statistics*,

1960: Q2) while the Government's share of the profits in South African diamond mines peaked at £476 856 (De Kock, 1922: 105) shortly before the outbreak of World War I in 1914.

THE ACCOUNTANTS: 1910

Much of the modern history of South African accounting is recorded in Chapter 1 of the *Report of the Accountancy Profession Commission of 1934* (UG49, 1935) as well as in the *verbatim* minutes of the South African House of Assembly in 1913.

This history shows a profession expanding rapidly in response to increased economic activity flowing from gold mining activities in the Transvaal. This initial expansion was driven by expatriate British accountants, many of them members of the Royal Chartered Societies (SC3, 1913: Q4157) created in the latter half of the 19th Century.

The formation of accounting societies and associations in the United Kingdom thus had an impact in the colonies. A plethora of societies was formed in the United Kingdom in response to the opportunities offered by expanding industrialisation and trade. For example, in 1885, the Society of Incorporated Accountants and Auditors was established at the metropolitan centre. It received no royal charter and instead sought the ordinary protection of the law through incorporation. Its foundation was important as the Society soon formed branches in the British colonies. In 1896, it created a South African Committee in the Cape Colony. The purpose of this body was threefold – to protect its members' interests, to advise its London office "on all matters connected with accountancy in South Africa" and to run a system of intermediate and final examinations – one set of papers dealing with British law for candidates intending to practise in Britain and the other set dealing with South African law (SC3, 1913: Q13) for South African candidates. It also sought to increase its membership and hence its influence. The quality of its membership was, however, suspect. Before the 1913 Select Committee, one interviewer alleged it included "men who [had] never been out of the liquor shops in the Transvaal" (SC3 1913: Q2756).

Before this initiative of 1896, no organised group of accountants existed in the Cape. In Natal in 1895, a voluntary Institute of Accountants had been established, while in 1894 a voluntary Institute of Accountants and Auditors had been formed in the South African

Republic. The Transvaal *Volksraad* had approved a charter for it in 1899, just before the outbreak of the Anglo-Boer War. Shortly after the cessation of hostilities in 1902, a branch of the Society of Incorporated Accountants was formed in the Transvaal (UG49, 1935: 6). It was followed in 1903 by the establishment in the Transvaal of the Institute of Chartered Accountants in South Africa, its founding members being English and Scottish Chartered Accountants practising as such in the Transvaal.

THE TRANSVAAL ORDINANCE OF 1904

A further step was taken in 1904 when the Institute of Chartered Accountants in South Africa joined with the South African Institute of Accountants and Auditors to promote legislation to regulate accountants in the Transvaal. The result was Ordinance No. 3 (Private) of 1904, a short, uncomplicated document of 10 pages and 22 sections headed, "To provide for the Registration of Accountants in the Transvaal". It had the support of Milner's Administration which was keen to get the Transvaal working again.

This legislation created the Transvaal Society of Accountants (Ord. Tvl, 3/1904: xi) and also prohibited people from describing themselves in the Transvaal as "accountants" or "public accountants and auditors" unless registered in terms of the Ordinance. All other Societies in the Transvaal needed to have their members registered but for some – like the Scottish and English Chartered Accountants – this was little more than formality (Ord. Tvl, 3/1904: xiii). At least three members of the 12-member Provisional Council established to oversee the registration process were British chartered accountants. They founded accounting firms in South Africa and practised for many years before being amalgamated into other firms. The members were Alex Aiken, John Gordon Carter and Howard Pim and the firms they founded were Alex, Aiken and Carter, and Pim Goldby, the former remaining in existence until the 1980s when it lost its separate identity upon amalgamation with KPMG.

The new Society in the Transvaal admitted all public accountants then in genuine practice in the Transvaal, regardless of whether or not they could claim to be formally qualified. Public practice and residence in the Transvaal were the prime determinants of admission. These were also key elements in the New Zealand Act of 1908 which dealt with the registration of accountants. It is possible there was a cross pollination of ideas with South Africans as many New Zealanders saw service in the Anglo-Boer War.

The Society was empowered to formulate by-laws, to conduct examinations and to allow for the regulation of admission to the Society's register (Ord. Tvl, 3/1904: xiv). The Ordinance included a number of provisions that were later to be included in the Registration of Accountants (Private) Bill of 1913. These included the creation of a provisional council to oversee the initial registration of those entitled to be registered and then, six months after the passage of the enactment, to pass its authority on to an elected permanent council of 12 members. The Ordinance also contained a list of nine offences which, if members were found guilty of transgressing any one of them by the Supreme Court, would merit suspension or complete removal from the register. The Transvaal Society created no internal disciplinary process, preferring matters to be dealt with in open court – and possibly saving upon the costs of an internal hearing. Many of the offences had longevity, appearing in modern codes of professional conduct, but two deserve special notice for their obvious significance in 1913 and their continual significance in 2013 – paying commission or "other consideration" (Ord. Tvl, 3/1904: xv) to bring in work, and secondly, performing any work connected with a dispute or litigation on condition that payment for such work is subject to the successful resolution of the dispute or litigation. Both have the effect of limiting the professional's independence by introducing a strong element of self-interest.

Those registered in terms of the Ordinance were each entitled to be called "Registered Public Accountant (Transvaal)".

THE ACCOUNTANTS' REGISTRATION (PRIVATE) BILL, 1913

The Accountants' Registration (Private) Bill, 1913, was also known in the draft legislation as the "Private Bill to Provide for the Registration of Accountants in the Union". It was based on the Transvaal Ordinance No. 3 (Private) of 1904 but was a more sophisticated piece of legislation in a number of ways. For example, it contained an extensive list of objects (1913: 3) which empowered the proposed society to perform a wide variety of tasks in support of the profession and ranged from conducting entry examinations into the Society, to acquiring such movable and immovable property as was necessary for the new Society to meet its responsibilities. Both Ordinance and Bill (1913: 20) contained an extensive list of offences and both proposed taking delinquent members to the relevant provincial Supreme Court, a costly and time consuming exercise, especially for the member who lacked the resources of the Society.

The 1913 Bill also provided for a more complex process in the election of the society's first council in that four district committees – one in each of the provinces – had to be elected by residents in the provinces who had also been accepted as members of the new Society. A further such election would see the election of a national council (1913: 11–4).

The complexity is understandable as the Bill envisaged a Union-wide registration of accountants. But the difference between Ordinance and Bill is no more clearly illustrated than in the list of those eligible for registration upon application – with little complication. They were members of the Chartered Accountants Societies of Edinburgh, Glasgow and Aberdeen (the Scottish Societies), the Chartered Societies of England and Wales, and Ireland, as well as the Society of Incorporated Accountants and Auditors. While the Transvaal Ordinance was fairly liberal in its admission to its Society, admitting all who were *bona fide* practising in public as accountants and resident in the Transvaal, the Bill excluded those who, at the time of its anticipated passage, were working in some accounting role in Natal and the Transvaal but were not members of those provinces' statute-established societies. The argument in support of this exclusion was that if the individuals concerned were not eligible for admission at the provincial society level, they could not expect admission to the proposed national body.

There were other good reasons for this. The Transvaal experience of an "open door" was not all positive as many "accountants" were admitted but their knowledge and experience were not equal to those of their chartered colleagues. This created tensions for both the Transvaal Society and its clients. Samuel Thomson, a former President of the Transvaal Society, admitted before the Select Committee: "I have heard it frequently expressed amongst business men that the Provisional Council exercised their powers in too lenient a manner altogether – that we admitted too many" (SC3, 1913: Q1668). While not stated specifically, the implication is that the Council let in too many unqualified people. This was the New Zealand experience as well and is discussed later in this Chapter.

THE CAPE SOCIETY OF ACCOUNTANTS, 1907, AND THE SOCIETY OF ACCOUNTANTS AND AUDITORS IN THE ORANGE FREE STATE, 1907

Encouraged by their colleagues' success in the Transvaal, accountants in 1906 in the Cape introduced into the legislature a Bill to provide for the registration of accountants there. The initiative miscarried as it failed to secure a majority consensus as to whether membership should be voluntary or compulsory. Instead, in 1907, the Cape Society of Accountants was established with voluntary membership. In that year, too, another voluntary membership body, calling itself the Society of Accountants and Auditors, was established in the Orange Free State.

THE NATAL ACT, 1909

The next significant event was the passage through the Legislative Council and Assembly of Natal in 1909 of an "Act to provide for the registration of Accountants in Natal" or simply the "Accountants Act, 1909" (NGG, December 1909: No. 1228). The Act was based closely on the Transvaal Ordinance to the extent that members were even entitled to call themselves "Registered Public Accountants (Natal)".

The timing of the Natal Act is suggestive as it was one of the last enactments of its Legislative Council before Union. Its status as an Act is also suggestive of a calculated attempt to garner a commercial advantage for Natal, the smallest province to enter the Union. That Natal sought a competitive edge over its larger neighbours had led it to a fractious referendum which had nevertheless supported Union. In return, and under the railway dispensation, Natal was given 30% of the Rand rail traffic; Lourenço Marques received 50–5% and the remaining 15–20% went to the Cape Ports (Walker, 1957: 535).

At the time of the political union of the four provinces of the Cape, the Orange Free State, the Transvaal and Natal in 1910, the latter two had legislation in place which made it compulsory for public accountants in practice to register with their respective provincial societies, being either the Transvaal Society of Accountants or the Natal Society of Accountants. In the Cape and the Orange Free State, anyone, in theory, could practise as an accountant as there were no formal restrictions upon such practices.

The South Africa Act of 1909 recognised earlier legislation as being binding upon future Union activities or until such time as the Union Parliament amended or abolished it. But it was clear that to amend existing rights would not be done easily or quickly. This fact was to give both the Transvaal and Natal Societies considerable power in the process of unifying the accounting profession, and often the use of that power appeared narrow, parochial and detrimental to the national process.

THE NEW ZEALAND SOCIETY OF ACCOUNTANTS ACT, 1908

As in South Africa, the initiative to achieve statutory regulation of the profession in New Zealand came from local societies. In New Zealand's case, the Incorporated Institute of Accountants of New Zealand (IIANZ) formed in May 1894 and the New Zealand Accountants' and Auditors' Association (NZAAA) was established in 1898. One reason for this registration was "the need for better auditing to protect investors in companies springing up throughout the land" (Graham, 1960: 13).

The Act was a short document of less than 10 pages comprising 35 sections. Among the purposes listed for the creation of the new Society were items similar to those detailed in the South African Bill of 1913 – such as the control and regulation of the accountancy profession and the training, education and examination of aspirant accountants. This similarity was not accidental as it is probable the New Zealand Act had influenced the content of the South African Bill as had the Natal Act and Transvaal Ordinance. There are four years between the two pieces. A New Zealand inclusion absent from the South African Bill was the "pecuniary and other assistance" (NZ Act 211, 1908: 2(e)) available to members and their families in times of hardship and death (NZ Act 211, 1908: 3(2)(g)).

As with the South African Bill, the nub of the New Zealand document was the first-time registration of accountants, the associated work and decision-making being handled by a provisional body – the Registration Board – before being replaced by a permanent Council. The Registration Board comprised Government officials – *ex officio* the Auditor-General, the Commissioner of Taxes (NZ Act 211, 1908: 6), the Insurance Commissioner, the Secretary to the Treasury and the Solicitor-General. The 1913 Bill had a Board which comprised much the same officials, *ex officio*.

Membership to the new Society was open to all current and future members of the two initiating Societies, the IIANZ and the NZAAA. In addition, any member of any similar accounting organisation in the British Empire recognised as being of "adequate standing" was entitled to registration. Again, entitlement was extended to accountants who for three continuous years had been engaged in an accounting business in New Zealand for their own account or in accounting employment – providing the Board was satisfied as to their proficiency as an accountant. It was left to the Board to determine how proficiency was to be measured.

The New Zealand Act, as implemented by its Board, appeared relaxed in its admission practices, allowing, for example, accountants in current employment, a three-month interval in the three continuous years requirement, presumably to take into consideration periods between employment (NZ Act 211, 1908: 7(d)). In addition, Paragraph 8 of the Act restricted membership to those over 21, of good character and reputation and not involved in any business "inconsistent with the integrity of the profession of accountancy". It was left to the Board to define "inconsistent". The net effect of the New Zealand Act was that poorly qualified individuals with less than three years' practical experience, actually qualified for admission to the Institute.

As a result, 2327 applications were received by the Board in early 1909 and 2116 were approved, this at a time when New Zealand's population was less than one million. The South African population was at the time 5.9 million of whom 1.2 million were White (Census 1911, Part 1: (n)). As to why so many unqualified people applied, Graham (1960: 26) speculates that they saw the possibility of personal advancement in a new Society which both restricted and enforced practising rights. The loss of many members post implementation is an indication of how flawed this thinking was on the part of these aspirant accountants and, possibly, the stern reality of the economic environment.

A further 23 people were admitted by an amendment to the Act in 1910. Of the successful applicants, only 11% were qualified by examination, and by 1912 almost 300 members had surrendered that membership as a result of the non-payment of subscriptions. It was only in 1924 that the number of examination-qualified members exceeded the number of non-examination qualified members and only in the early 1930s that the membership "bubble" of 1909 had worked itself out. The final reward of

the process was a unified, recognised and professional body of accountants (Graham, 1960: 25–8), a goal which eluded South Africa until 1951. Of significance are two facts, these being that the New Zealand Act granted no

- accounting monopoly to the new Society; nor any
- power over non-members with the exception that they were prohibited from using the phrases "public" or "registered" accountant or any abbreviations thereof (Graham, 1960: 23).

The New Zealand Act was unlike the South African Bill in two further respects:

- it contained no list or partial list of offences, leaving these to be dealt with through by-laws;
- it directed that any offence "be dealt with summarily" (Act 211, 1908: 35). This was in stark contrast to the lengthy process through the Supreme Court envisaged by the South African Bill.

CRITICISM OF THE NEW ZEALAND ACT

The admission of so many unexamined and thus potentially unqualified people into a professional accounting organisation drew criticism from witnesses before the 1913 South African Select Committee on the Accountants' Registration (Private) Bill. It was pointed out that the New Zealand enactment had been a New Zealand Government initiative carried by a party majority and that "hundreds" of applicants admitted by the Registration Board had been removed subsequently "on account of ignorance alone" (SC3, 1913: Q185). The journal of the profession in England, *The Accountant*, lamented the fact that in the process, no rights were granted or privileges conferred that were greater than those already enjoyed.

This point of view was reinforced by reference to the ninth annual meeting of the Institute of Chartered Accountants of England and Wales in October 1907 where the benefit of being a chartered accountant was likened as unity with other like-minded individuals and the strength, prestige and profit which arose as a result (SC3, 1913: Q557).

Therein lay the difference between the South African and New Zealand approaches. The South African promoting societies were private bodies seeking personal privilege and requiring Parliament to recognise the profession and "compel members" to join the new society (SC3, 1913, Minutes: Q633) so that they could be controlled (SC3, 1913: Q2858).

But they also sought to raise the status (SC3, 1913: Q2896) of the profession in response to the growing practice among the "mercantile community" in Cape Town and on the Rand "of employing qualified men to audit the books of the mercantile people" (SC3, 1913: Q1020). A sophisticated use of commercial legislation saw firms floating themselves as companies with a concomitant increase in audit work and need (SC3, 1913: Q2955).

In the period 1911–3, the idea of a single unified society of accountants in South Africa gathered ground for a number of reasons, not the least of which was the inequality felt by Cape and Orange Free State accountants who could not practise their profession in the regulated environments of Natal and the Transvaal. Their Natal and Transvaal counterparts could, however, practise in the Cape and Orange Free State (SC3, 1913: Q1288).

Another important reason for the desire to control the profession was the undoubted perception that the economy would grow and increasingly would require the services of accountants and auditors. A unified profession would also enhance its public status and, besides registration, appeared to be an empire-wide imperative. Keeping abreast of colonies like New Zealand and its exports of mutton and wool, the same type of commodities produced by a largely agrarian South Africa, was important. The sixth Annual Statement of Trade and Shipping, 1911, listed the export of 132 million pounds of wool worth nearly £4 million (Statement, 1911, No. 4: Con 65). This was a significant amount in comparison, for example, to the war debt of £38 million.

The *Grocott's Penny Mail* of 9 January 1924 quoted from the Commonwealth Statistician's report for 1922 that the aggregate value for all recorded industries in Australia amounted to £346 662 000 or an average of £62 18s 3d per head of

population. With reference to *Union Statistics for Fifty Years, 1910–1960*, South Africa reflected

- a total population of 6 927 403 on 3 May 1921 (1960: A3); and
- a national income of £218 300 000 for 1921 (1960: s3).

Using these two figures, a rough estimate of £31 *per capita per annum* can be calculated. This difference with the Australian figure reveals the significant economic gulf that existed between South Africa and at least one of its brother dominions in the 1920s.

CONCLUSION

This Chapter has sought to indicate the major "players" in the game. It has also introduced a summary analysis of what was happening to the profession in New Zealand. This is important as New Zealand had both significant similarities and important differences to South Africa. Amongst the similarities, we can list common dominion status under the British crown, a White colonial population imposed on indigenous peoples, and a need for economic development. Amongst the differences were the facts that South Africa had been involved in a recent major internal conflict which had embittered the Afrikaners and made them both intractable and sensitive as to their own worth. Other differences included a large indigenous population which was generally ignored and marginalised. Great mineral wealth was to be had from the Transvaal Witwatersrand, but at tremendous cost, capital investment and population displacement through the use of migrant labour. South Africa also had two powerful accounting bodies established by law pre-Union. While New Zealand was sufficiently unified to create a unified accounting profession within a short period of time, the differences outlined above put a brake on the profession in South Africa.

CHAPTER 6: THE REGISTRATION OF ACCOUNTANTS (PRIVATE) BILL OF 1913: THE FIRST FAILURE

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CHAPTER 6: THE REGISTRATION OF ACCOUNTANTS (PRIVATE) BILL OF 1913: THE FIRST FAILURE

INTRODUCTION

While it is unlikely that many people in South Africa in 1913 anticipated a war on the scale that broke out in 1914, the war impacted upon the South African economy in a number of ways. The railways, for example, achieved an unexpected and early surplus on the re-coaling of shipping diverted from the Suez Canal to the route around the Cape. The absence of foreign competition resulting from the preoccupation of the Great Powers with the war in Europe led to the establishment of secondary industries like the manufacture of textiles, leather wares and furniture (Feinstein, 2007: 115). The danger of submarines sinking shipping during the Great War restricted imports to South Africa and gave a degree of protection to South African industries (Hobart Houghton and Dagut, Vol. 2, 1972: 4) which resulted in their rapid development. The gross value of industrial output increased from £17 million in 1911, to £40 million in 1915–6 and £98 million in 1920–1, and the number of industrial concerns expanded from 2 500 in 1911 to 7 000 in 1920 while the number of employees rose from 66 000 to 180 000 (De Kock, 1936: 74). Accountants and bookkeepers would have been included in that number.

The growth was so great that, in 1917, the Government performed a census of industrial activity followed, in 1918, by a similar census of agricultural production (Benians *et al.*, 1963: 760).

The negative effects of the conflict on the South African economy were principally concerned with the decline in necessary imported goods, such as railway rolling stock, and a growing realisation of the fact that the South African manufacturing sector was small, light and heavily dependent upon the mining sector, and thus facing an uncertain future.

Overall, Parliament managed the financial aspects of South Africa's involvement in the war reasonably well. In 1914, the main sources of revenue available to the Union Government came from customs duties, mining and income taxes. In anticipation of a

war deficit, the Government instituted increases on customs dues, placed a levy on gold mining profits, increased taxes on diamonds, reduced income tax exemptions and raided the frozen *bewaarplaatsen* funds, these being fees paid to Government by mining companies to mine the land beneath the early dumps. Other extraordinary revenue sources were the sale of large amounts of wool for uniforms and coal to fuel the increased number of warships and merchantmen calling at South African ports. The Government managed to create a regular surplus on its current account by crediting it with all special levies raised and charging the full cost of its participation in the war to a loan account (Walker, 1957: 571). When it came time to "pay the piper" the conflict had cost the Union in excess of £38 million of which a staggering 85% represented loan funds (Benians *et al.*, 1963: 759).

Overall, the Great War and its immediate economic consequences had little impact upon the drive to create a unified society of accountants other than to mourn the inevitable casualties from amongst the profession's ranks. But the beginnings of industrial diversification that the War encouraged, also encouraged greater state intervention in the economy where it had two imperatives – White employment and a steady revenue stream from the gold mines (Yudelman, 1983: 38–9).

The Registration of Accountants (Private) Bill of 1913 was influenced both by the English Society of Incorporated Accountants and Auditors, and the Institute of Chartered Accountants, England both of whom had established close links with what became known as the four Provincial Societies.

These two English societies were representative of many whose members were to be found in South Africa in 1913. The reasons for the plethora of English societies competing for a place in the emerging profession in the Union were threefold – the work opportunities generated by the mines, the professional saturation of the available opportunities in the United Kingdom and the dominance there of the chartered societies. This was the evidence (SC3, 1913: Q4157) of John Andrew who represented the English Central Association of Accountants of London and who was one of the two petitioners in opposition to the Bill (SC3, 1913: v), the other being one William Hay, a member of the Scottish Corporation of Accountants of Glasgow (SC3, 1913: Q3347). A point to note is that an opponent could be a member of one accountants association yet

represent another before the Committee. This can complicate understanding. By contrast, the only society not South African in origin and listed as a petitioner for the Bill was the English Society of Incorporated Accountants and Auditors. The other four petitioners in support of the Bill were the four Provincial Societies (SC3, 1913, Appendix A: i). Thus, while the Bill was ostensibly South African in origin, selected United Kingdom societies – such as the chartered societies – would have benefitted from its passage. The benefit would accrue from the recognition by Parliament of a restricted, professional elite. It would also cut out much dubious registration in the Cape and Orange Free State. As in the mining sector, so too in the accounting profession, the idea of foreign control was an unpopular one.

In giving evidence before the Select Committee on 13 February 1913, Mr Harry Gibson, a member of the English Society of Incorporated Accountants and Auditors, gave the most recent membership numbers of the Bill's five promoters as follows:

Transvaal	540
Natal	280
Cape	110
Orange Free State	30
South African Committee of the Incorporated Society	40
TOTAL:	1 000

(SC3, 1913: Q69–78)

From the above, it is obvious that Transvaal and Natal – the societies established by statute – were in a dominant position. It is also interesting to note that the Cape Society had been incorporated as a limited liability company in terms of the Cape Companies Act of 1892 (SC3, 1913: Q4151), and was legally not an association. Clearly its founders sought the security of an enforceable commercial legal structure with limited liability.

The relationship between "Incorporateds" and "Provincials" over the years was strained and uncertain but the "Incorporateds" showed tenacity and their members – significantly – in South African branches were accorded membership in terms of the 1951 Act.

Beginning in 1911, these Societies had thrashed out a common understanding and agreement which had resulted in the Bill (SC3, 1913: Q49–54).

Gibson stated that the Bill had been discussed by the councils of the promoting societies and with their members in general meeting and that there had been no opposition to the principles in the Bill, only suggested amendments to particular clauses (SC3, 1913: Q79–84). The four Provincial Societies played an important role in providing support for the 1913 Bill and clearly there were diverse accounting groups jockeying for position in what was perceived as a lucrative market, that of providing professional accounting and auditing services – in contemporary parlance, "a turf war". In this highly competitive environment, the Transvaal Society had important advantages – its statutory origins, its large membership, the fact that it functioned in the gold-rich Transvaal with its many opportunities and, finally, its alliance with key accounting societies in each of the other three provinces. In the course of the period 1913–51, the four Provincial Societies were often accused of attempting to create an accounting monopoly, an accusation they strongly denied. But if not a monopoly, then at least significant influence in the profession for their own benefit is a reasonable conclusion based upon a review of the available parliamentary sources.

THE BILL

The Private Bill to provide for the registration of accountants in the Union comprised a preamble and 40 sections covering 24 pages, 12 each in Dutch and English. The Preamble was intended to be an explanation of what was to follow and an aid to interpretation of any ambiguities within the Statute. The Preamble is the "key of a Statute to open the minds of the makers as to the mischiefs which are to be remedied and the objects which are to be accomplished by the provisions of the Statute" (Bouvier, John, 1993: 44).

Sections 1 and 2 of the Bill were important in that they abolished the Transvaal and Natal enactments and introduced the proposed new society as a body corporate intended to register all "accountants", "public accountants" and "auditors". Section 3 listed the Bill's objects – 13 of them – from keeping a register of accountants to selling or leasing the Society's property. Section 4 declared that only Public Accountants on the register would be permitted to practice, while Section 5 listed the penalty for the

contravention of that stipulation. Section 6 dealt with the formation of the Provisional Council and set the date for the first meeting. Section 7 dealt with *quora* and the authority of the Provisional Council. Section 8 allowed the Provisional Council to divide itself into committees. Of great importance in the structure of the Bill was Section 9, which defined who was eligible to go on the register and stipulated that applications needed to be made within nine months of the passing of the Act. It also listed nine Accounting Societies that would be given preferential treatment. Most of these Societies were foreign to South Africa. This section of the Bill evoked considerable opposition. Section 10 stated that after the expiration of two months from the passage of the Bill, the Transvaal and Natal registers would cease to exist. For the purposes of registration, Section 11 recognised the four Provinces and their boundaries for administrative purposes. Section 12 took this further and stipulated that meetings needed to be held in each Province to elect district committees. Section 13 dealt with three items: representation, the fixing of district committees and the election of chairmen. Section 14 stipulated that the Provisional Council would expire in 12 months from the passage of the Act, to be replaced by a full council, whose composition was fixed by this section, three each for the Transvaal, Natal, and the Cape and two for the Free State. Section 15 instituted a reassessment of representation on district councils at the end of five years. Section 16 vested management in the Council with the provision of urgent matters without the need for a full Council meeting. Section 17 allowed Council to delegate powers to District committees while 18 (again an important section) defined who was eligible for admission to the register, subsequent to the elapse of 12 months after the passage of the Act. The actual placing of this section was, curiously, within considerations of the Council. Section 19 levied a fee of 5 guineas for every application to be placed upon the register. Section 20 defined offences under the Act and listed 13 of them from styling a firm as Accountants and Auditors without being members, to improperly obtaining work. Section 21 empowered Council to obtain evidence to assist in an investigation of an alleged offence in terms of Section 20. Section 22 continued the logic and gave Council the power to deal with offending members and to seek judgement from the Supreme Court. Section 23 dealt with the non-payment of subscriptions and the removal of a member from the register. Section 24 allowed such members to resign, but to be readmitted at some future date upon payment of all arrears. Members dealt with in Sections 23 and 24 above, were, in terms of Section 25, not to have any claim on the Societies' assets. In terms of Section 26,

members were entitled to acquire a designation suitable to indicate their calling. Such designation was to be decided upon later. Contravention of this section would be an offence attracting a fine of up to £10. Section 27 provided for examinations, while Section 28 dealt with annual general meetings. Section 29 detailed the annual report needed to disclose the affairs of the society together with audited statements. Section 30 authorised special general meetings, while Section 31 worked out who would be entitled to vote at such meetings. Section 32 set out that which could not be discussed in general meetings while Section 33 indicated clearly that by-laws needed to be prepared by the Council. Section 34 detailed the process by which by-laws were to be effected. Section 35 dealt with the liquidation of the Transvaal and Natal societies and the apportionment of their funds. Section 36 was a standard liability limitation while 37 gave indemnity to the Council and officers of the society. Section 38 listed those disqualified from holding office while 39 gave Council indemnity for acts of good faith. Section 40 listed the short appellation of the Act as "Accountants' Registration Act 1913".

The Accountants' Registration (Private) Bill successfully navigated the initial stages of the parliamentary procedure detailed in Appendix 1. The Bill was first read in the House of Assembly on 30 January 1913. Again, in accordance with parliamentary procedures, as the Bill was approved it was sent to a Select Committee appointed by Orders of the House dated 4 and 6 February 1913. The Committee comprised seven members – Messrs Krige (Chair), Baxter, Brown, Andrews, Vincent, Henderson and Cronje who are detailed in the following table. The uneven number of members on the Committee represented normal practice to relieve the Chair of having to use a casting vote too often. The proponents of the Bill were represented by three advocates and a parliamentary agent while the opponents had retained the services of a single parliamentary agent. Both were costly options.

TABLE 6.1:

ACCOUNTANTS' REGISTRATION (PRIVATE) BILL, 1913: MEMBERSHIP OF SELECT COMMITTEE, 12 FEBRUARY – 7 MARCH 1913

	Member	Electoral Division	Party Affiliation
1.	Krige, The Hon. CJ (Chair)	Caledon	SAP
2.	Baxter, WD	Cape Town (Gardens)	Independent
3.	Brown, DM, OBE,	Three Rivers	Independent (SAP from 1921)
4.	Andrews, WH	Georgetown	Labour
5.	Vincent, AI	Riversdale	SAP
6.	Henderson, JAS	Durban (Berea)	Independent (SAP from 1921)
7.	Cronje, Maj. FR	Winburg	SAP

Source: SC3, 1913.

THE SELECT COMMITTEE OF 1913

The information that can be extracted from the Select Committee's Report to the House gives a good idea of the immensity of its task and the nature of its response to the House's Orders. The Committee met on 17 occasions in the period 12 February to 7 March 1913. With the exception of 5 March, meetings were held on every weekday in accordance with the principle that the Committee met continuously until the task at hand had been completed. The Committee examined 17 witnesses of limited diversity, such as Mr Harry Gibson from Cape Town and an Incorporated Accountant, Mr FE Roberts, the Registrar of the Transvaal Society of Accountants, Johannesburg and Mr William Hay, Accountant and the Mayor of Sea Point (SC3, 1913, Proceedings: xiii). The social stratum to which they belonged was solid professional middle class. Table 6.2 gives some detail. Later Select Committees and debates in the House would take evidence from a wider – but not necessarily inclusive – spectrum of professional society.

TABLE 6.2:

DRAMATIS PERSONAE

SELECT COMMITTEE: ACCOUNTANTS' REGISTRATION (PRIVATE) BILL, 12 FEBRUARY – 7 MARCH 1913

1. Petitioners in opposition to the Bill
   - John Andrew – for himself
   - John Andrew, Accountant and Chartered Secretary, Cape Town, representing the Central Association of Accountants (Limited by Guarantee) of London
   - William Hay, Accountant, Cape Town, member of the Scottish Corporation of Accountants of Glasgow

   Represented by:
   - Mr Walker of the firm Messrs Walker, Jacobsohn and Le Roux, Parliamentary Agents

2. Promoters of the Bill
   - Mr Harry Gibson

   Represented by:
   - Messrs Advocates Close, KC, de Villiers and Roux
   - Mr Hofmeyr of the firm Messrs Bisset and Hofmeyr
   - Blackman, Alfred, Chief Agent of the National Bank of South Africa
   - Andrew, John, Accountant, Cape Town

3. Interviewees

   Forrester, Richard, Accountant, Durban

   Gibson, Harry, Incorporated Accountant, Cape Town, Chairman and Convenor, Committee for the Private Bill and presenter to Select Committee

   Hay, William, Accountant and Mayor, Sea Point

   Herbert, Joseph, Merchant, Cape Town

   Herold, Thomas, General Manager and Chairman of the Land and Agricultural Bank of South Africa

   Leisk, James, Secretary for Finance and member of the Transvaal Society

   Lowe, James, Secretary, Stutterford and Co., Ltd, Cape Town

Maxwell, Robert, Merchant, Cape Town

Roberts, Frederick, Registrar, Transvaal Society of Accountants, Johannesburg

Smetham, George, Incorporated Accountant and Chairman of the Society of Accountants, Orange Free State

Snell, Edward, Accountant, General Post Office, Cape Town

Starkey, George, Secretary of the East London Board of Executors and Trust Company, and Incorporated Accountant

Stevenson, Thomas, Public Accountant and Manager of the South Africa Association, Port Elizabeth

Thomson, Samuel, Chartered Accountant, Johannesburg and twice President of the Transvaal Society

Source: SC3, 1913.

Some 4685 questions were put to the witnesses in the process of examination, cross examination and re-examination, and all questions and answers were recorded and printed in 501 pages in the Report, together with an eight-page summary of the proceedings and two appendices referenced A and B, these comprising the Petitions for and against the Bill.

Any study of the Committee's Report needs to consider the major foci evident in that Report. The important foci in the 1951 Act revolve around articles and examination, the auditors' powers and responsibilities and discipline, and are essentially the themes developed in a maturing and experienced process concerned with compromise. The themes apparent in the 1913 Bill are basically those of a narrow interest group seeking out an opportunity for its own benefit. The key elements in the 1913 Bill are thus the methods by which the proposers of the Bill sought to achieve those benefits and included things like fees to be charged (an unwitting weakness in the Preamble), the requirements for membership in the proposed new society and the composition of the provisional and final councils. But modified and tempered for fairness, many of the 1913 provisions were included in the 1951 Act, such as a provisional council to filter applications. The 1908 New Zealand Act used a similar but courser filter. It is little wonder that the Bill failed in a Parliament concerned with maintaining a balance of rights as detailed by Kilpin (1946).

However, the Bill's failure did not lessen the fact that some regulation of the profession was necessary. The Transvaal Ordinance of 1904 was followed by the Transvaal Companies Act of 1909 and together they sought to regulate key elements of the province's commercial activities. The result was avoidance and many Transvaal companies were registered in the less rigorous commercial environment of the Orange Free State. It is unlikely the Transvaal accountants were happy with this state of affairs and their dissatisfaction probably provided additional impetus to their objective of a legally unified profession. By 1926, this cross-border activity encompassed so much questionable commercial matter that the Minister of Justice specifically referred to it in his presentation of the Companies Bill (later Act) of 1926 together with the intention of using the new Act to enforce uniformity (USA, HA Debates, Vol. 6, 25/2/1926: 976).

Further, the 1913 Report is a multi-layered reflection of the currents and cross currents that eddied around and through Parliament and South African society at large in the immediate post-Union period. For example, on 21 February, Baxter of the Committee questioned Mr Samuel Thomson, a Chartered Accountant in Johannesburg and a member of the Transvaal Society of Accountants, about the appropriateness of the proposed council's task of judging a man's character in light of the fact that "there are such things as prejudices in this country. There is a prejudice against the coloured man for instance".

Thomson's response was "the coloured question is one that we do not deal with" (SC3, 1913: Q1987), an echo of the fact that the Union Convention of 1908–9 had not given much thought to the political situation of Blacks, Asians and Coloureds in South Africa. Again, when Advocate Close, for the Bill's promoters, was cross examining Mr Andrew, one of the petitioners against the Bill, the matter turned to the fact that "overseas men" should not be granted an advantage over South Africans. Close made the observation that while this was an obvious principle, it was not always consistent with common sense. To this, Andrew responded "if it is consistent with the Englishman it is consistent with the Dutchman". With what is imagined to be a touch of asperity at the Anglo-Boer War overtones and the sensitivities they created, Close answered, "please keep that out. You know it is unfair to introduce anything like that". Andrew probably feigned innocence and said it was contained in the Bill that "overseas men" in terms of Section 9 of the Bill (AB, 1913: 8) would have an advantage. Close retorted "it

does not say to the Dutchmen of the country", to which statement Andrew agreed. Close was not to be mollified as he queried further "then how dare you put it in that way … At a time like this it is a most improper thing to do". Andrew, finally admitting he had erred, declared "I do not intend to create any feeling. I withdraw that" (SC3, 1913: Q4400–5).

The key Bill issues that need to be considered in some detail include the following:

- promoters
- qualifications and the relevant skills of accountants and bookkeepers
- articles of clerkship and examination
- registration and subscription fees
- Sections 9 and 18
- the "Incorporateds"
- the Bill's Preamble
- New Zealand.

THE PROMOTERS OF THE 1913 BILL

The promoters of the Private Bill to provide for the Registration of Accountants in the Union put much time, effort and money into the Bill. Evidence given to the 1927 Select Committee, charged with the consideration of the Designation Bill, suggested the 1913 Bill had cost the Transvaal Society alone an amount of £2 000 (SC5, 1927: Q269). The 1913 promoters were represented at the Select Committee by no less than three advocates and one parliamentary agent. One of the advocates, Mr Close, was a King's Counsel and would later be elected to the Union Parliament as the Member for Rondebosch. In 1924, he would put the case in the House of Assembly for the South African Society of Accountants (Private) Bill. While a skilled advocate and debater, it was his misfortune to be closely associated with the two failed Bills. After 1924, he was no longer to play a public role in this matter.

QUALIFICATIONS

The issue of "qualification" as an element of membership was very much in the minds of the Bill's promoters. While being examined by Advocate Close on 13 February,

Gibson reasoned that unqualified men could, in good faith, cause loss to their employers through ignorance or a failure to detect fraud. As detailed earlier in this thesis, the detection of fraudulent activities was considered an important audit function in the late 19th and early 20th Centuries. The expectation was that a qualified man would have the experience and training, as well as the theoretical knowledge derived from passing appropriate examinations, to prevent or discover fraudulent activity (SC3, 1913: Q98–104). In this way, "the protection of the public" (SC3, 1913: Q101) would be promoted. While such a distinction was easy to make in the abstract, it was less so in practice.

The promoters of the Bill were firm upon a tripos of non-negotiable requirements as the framework for the proposed new society – "compulsory registration, compulsory qualification and compulsory membership" (SC3, 1913: Q106). But within this framework and during the transitional stages after the Bill had been enacted, there was probably the intention to protect the "vested rights" of those in some form of public accounting practice as well as the intention to ensure that "no man's living" would be taken away from him (SC3, 1913: Q106–7). The reality, of course, was a tension between the demands of the framework and vested rights which could not be resolved and unqualified men were usually the losers. The Bill's requirements for registration and entry into the proposed new society were restrictive and invariably bookkeepers were excluded, as were accountants in the civil and municipal services. The latter were to form a large and effective pressure group in 1924 when the House of Assembly was considering the South African Society of Accountants (Private) Bill. But, as in 1913, the promoting Societies in 1924 were reluctant to concede the point. It became apparent that at some stage the Government probably would need to intervene actively in the process of registration.

ACCOUNTANT AND BOOKKEEPER: SKILL AND ROUTINE

[The interplay between interviewee and interviewer in Committee is kept as far as is possible to highlight the thrust and direction of the debate and what was being exposed in the process.]

When called upon by the Select Committee's Chair to define the position of bookkeeper while giving evidence on 21 February, Samuel Thomson put it thus:

> "If a man had been at one set of books all his life and at nothing else, he would be nothing more than a bookkeeper. He would not have the experience to set up as an accountant. He has not the experience" (SC3, 1913: Q2134).

In Thomson's view, such a person would not transgress the Bill if he called himself "accountant to such and such a firm" (SC3, 1913: Q2135). But calling himself a "public accountant" would break the proposed new law and, in terms of its Section 5, render the offender liable to a fine of £100 for each offence or imprisonment for a period of not more than six weeks. Mr Baxter, a member of the Committee suggested that the term "accountant" should be defined in the Bill. To this seemingly reasonable query, Thomson replied: "I am afraid it is better not defined. It is a little difficult to define … It is a mistake to define anything of that kind. If there is any doubt it should be left to the Courts to say what it is" (SC3, 1913: Q2137). The reason for reluctance is clear – it would not suit the promoters to have too precise a definition of "accountant" as this could take membership beyond the control of the promoters.

When being cross examined by Walker on 26 February, James Leisk was similarly vague. In an attempt to define "accountant", Walker produced a dictionary definition of "one who keeps, examines or is skilled in accounts". Leisk declared it to be a "very feeble definition" and stated that as the modern accountants' duties were many and varied, it was "a virtual impossibility to define what an accountant is … In fact, there is no limit to the duties of an accountant" (SC3, 1913: Q2996).

Walker made another obvious connection – if there was no definition of "accountant" or "accountancy" how could a man prove he was practising as an accountant (SC3, 1913: Q3416–7).

Walker pursued the point by suggesting the inclusion of bookkeepers in a definition of accountants would be consistent with the Bill's Preamble "which proceed[ed] on the basis of protecting existing rights" (SC3, 1913: Q3007). This would allow on the register the large number of men throughout the Union doing accounting work "such as Civil Servants, employees of banks, employees of corporations, municipal and commercial and so on, and of private firms" (SC3, 1913: Q2994).

Leisk's response was a simple statement that registration would depend on the qualifications of the individuals making application for enrolment – and the fact that if a man was a bookkeeper this did not mean that he was an accountant (SC3, 1913: Q3004). With Leisk wearing his hat as member of the Transvaal Society instead of the Union Government's Secretary for Finance, compromise was a long way off (SC3, 1913: Q2873–4).

The participation of a senior Union Treasury official in the Select Committee underlines the point made by Verhoef (2011: 23) that the state perforce became involved as a result of the need for the auditing of public accounts. Inevitably much of this work was contracted out to accountants in practice, with varying results. This is evidenced by a complaint brought before members of the Transvaal Society of Accountants at their eighteenth Annual General Meeting on 27 February 1923. The Chairman stated: "I regret to say our financial position has suffered severely during the year and this through no fault of ours". A loss of £824 5s 10d had been made performing work for the Attorney-General (SAAHC, TRA, Minute Book: 73, 8 June 1922 – 13 July 1926).

The question of who did what for whom was fraught with uncertainty. Heathcote (2012: 49) points out that members of the Orange Free State Society of Accountants were particularly vocal about the incongruity of civil servants doing tax work for private clients and the award of a tender for municipal audit work to a Government auditor in his private capacity. This is an important observation given the long held view of the Four Societies that private professional auditing, accounting and tax needed to be done by qualified practitioners. Only in this way could the interests of the public be protected (SC3, 1913: Q153).

ARTICLES OF CLERKSHIP AND EXAMINATIONS

The promoters of the Bill laid great emphasis on the necessity of qualifications gained through examination and, later, in 1924, experience gained through a period of apprenticeship known formally as articles of clerkship. This latter requirement appears to have been in its infancy in the Union in 1913. When asked by the Chairman of the Committee on 20 February as to whether any law in the Transvaal required a period under articles for accountants, Thomson stated that they were optional but believed

"there may be a chance for articles when the country gets more settled in years to come. You may be able to have them in the next generation" (SC3, 1913: Q1893). In 1924, his prophecy came true but the completion of articles created another stumbling block in the process of professional unification.

Thomson estimated that between 73–5% of those who had passed the final examination in the Transvaal had had no practical experience in an accountant's office. He concluded by saying again: "The country is too young to insist upon that yet" (SC3, 1913: Q1894). Examinations were a different matter and could be insisted upon as a measure of an individual's ability.

Mr Brown of the Committee, at the meeting on 21 February, put it to Thomson, a chartered accountant and twice president of the Transvaal Society (SC3, 1913: Q1546), that South African examinations were equal to those of societies in the United Kingdom. Thomson's reply was surprising – they were not equal to those of the chartered accountants because they did not include courses on actuarial science and political economy, and attendance at a university. Thomson's response is an indication of the esteem in which the British accountancy profession was held in South Africa as well an indication of his personal pride. Nevertheless, he agreed the Cape and Transvaal examinations were good, but the difficulty was that too few people passed them (SC3, 1913: Q1958). While interviewing FE Roberts, the Registrar of the Transvaal Society of Accountants, Advocate Close, for the Bill's proponents, suggested that the proposed new society would "use its powers to stiffen up the examinations so as to squeeze out people and prevent them coming in". When questioned about the Transvaal Society's poor results in 1910 and 1912, Roberts declared the candidates had been a "bad lot", by which he meant academically weak. The result for the Society's first examination in 1905 had not been much better: in the intermediate phase there had been a 50% pass rate while out of 106 candidates for the finals, 41 had passed and 65 had failed, giving a 61% failure rate (SC3, 1913: Q2209–10). Clearly there were academic and other problems which needed to be resolved if the South African profession was to match that of its British counterparts.

Another difficulty explored by the Select Committee was that accountants who came straight out from the United Kingdom lacked the knowledge of South African law

required by practising accountants but were nevertheless allowed to practice. In this, Brown of the Committee saw preferential treatment of English, Scottish and Irish Chartered Accountants in terms of the Bill when he asked the question: "you are asking Parliament to give persons from the Old Country a greater privilege than you are asking it to give to the youth of this country?", Thomson agreed (SC3, 1913: Q1967).

THE OPPONENTS TO THE 1913 BILL

For their part, the petitioners in opposition to the Bill contented themselves with representation by one parliamentary agent, a Mr Hofmeyr of the firm of Messrs Bisset and Hofmeyr, Parliamentary Agents. The composition of the Bill's formal opposition was fairly low-key as well and comprised John Andrew, a Cape Town accountant and chartered secretary [John Andrew again, but this time representing the Central Association of Accountants of London], and one William Hay, another Cape Town accountant. As a point of information, John Andrew, an opponent of the Bill, should not be confused with Mr Andrews, a member of the Select Committee.

A DEFECT IN THE 1913 BILL'S PREAMBLE

The strategy of the petitioners in opposition was simple – to show that "the Preamble [did] not adequately set forth all the objects or cover the scope of the Bill" (SC3, 1913, Proceedings: vi) and thus defeat the Bill on a technical point. To a newly elected Parliament of a newly created nation, careful of a need for balance, this was important. But behind this simple strategy was a very full petition listing 30 points as to why the Bill should not be allowed to stand (SC3, 1913, Appendix B: iii–vii). The points included the belief that "the Bill if passed would prevent numbers of deserving and qualified persons from earning a livelihood in the only manner open to them." (SC3, 1913, Appendix B: v)

A comparison of the 1913 Bill's Preamble with the actual content of the Bill reveals a significant discrepancy. At Section 33(b) of the Bill, the proposed new society was given the power to fix "the annual subscription and any other fees payable to the society and the times for the payment of same" (AB, 1913: 20). This important power was placed in a list of proposed by-laws ranging from the regulation of council meetings and controlling the society's finances to regulating the custody of the society's common seal. In the Preamble, general reference was made to the "making,

altering or cancelling of by-laws and regulations to carry out the objects of the Act" (AB, 1913: 1). Specific references to "subscriptions" and "fees" due to the society were not made in the Preamble but they were clearly important issues and should have been dealt with more fully in the Preamble. Undoubtedly this omission was part of the reason for the Select Committee's report that it had "examined the allegations contained in the Preamble of the Bill, but the same have not been proved to its satisfaction" (SC3, 1913: iii).

The promoters of the 1924 South African Societies Accounting (Private) Bill learnt this lesson; in the Preamble to their Bill they made clear reference to "the fixing of an annual subscription and other fees payable to the Society" as well as "the payment of a registration fee prior to admission of any person to the register" and, in the instance of non-payment of these amounts, for their recovery (AB, 1924: 1). However, the 1924 promoters had also missed the point. The 1913 Bill had failed *de facto* for two less obvious but more important reasons: Parliament was

1. reluctant to recognise and empower a professional body over which it had little influence (SC3, 1913: Q1903) (this was ultimately resolved by an annual subsidy);
2. unwilling to give preferential treatment to one group of accountants to the exclusion of another (SC3, 1913: Q2240). A compromise was preferable.

Ironically, the 1924 Bill's preamble was sent back to the House twice for condonation of errors in the Preamble. On both occasions the error was condoned.

REGISTRATION AND SUBSCRIPTION FEES

The issue of the registration and annual subscription fees proved to be a contentious one as the perception was that they were intended to keep people out of the new society by being set high. When questioned on 20 February, Mr Samuel Thomson, one-time President of the Transvaal Society and a supporter of the Bill, believed the issue could be left to the council proposed in the Bill, pointing out that the new society was to be "a profit-making one" so that there was "no need to accumulate funds" (SC3, 1913: Q1699). The initial registration or entrance fee would be levied to meet the initial expenses incumbent in setting up the new society. In the nature of things, there would be a lag between incurring the expenditure and generating the income from the

membership subscriptions to meet those expenses. It appears the promoters' actual intention was to charge everyone who wished to apply for registration an immediate fee of 5 guineas and, presumably at a later date, to those successful candidates, their first annual subscription. No mention was made of a refund to unsuccessful candidates. The reason for this early payment strategy was that, should the Bill pass, subscription fees could only be levied after 12 months had passed (SC3, 1913: Q2624–5). To give some idea of the value of 5 guineas: an articled clerk in London in 1923 was paid £1 a month in the fifth and final year of his articles (where 1 guinea = £1 1s 0d) (*The South African Chartered Accountant*, Vol. 9, No. 12: 438–9). Again, in 1913 in South Africa – for comparative purposes – a pound of beef cost 4s 3d, a pound of tobacco, 1s 3d, and a pound of tea, 1s 9d (USA, 1960, *Union Statistics*: H8–H9). In addition, the weighted average monthly house rental was £5 5s 11d (USA, 1960, *Union Statistics*: H27) – a little more than the fee. Thus, 5 guineas represented a sizeable amount of money to an ordinary man.

When pushed, Thomson agreed that 5 guineas should be charged as the combined registration and annual subscription fee for the first year. He anticipated extraordinary expenditure in the new society's first year or two of existence due to the need to advertise its existence, convene meetings of the new council with members throughout the Union, thereby incurring travel costs, and the implementation of the society's objectives (SC3, 1913: Q1703–9). The reality was that distances in South Africa were greater than in the United Kingdom. When asked his opinion of a proposal to allow members practising in clearly defined geographical areas to have their fees set in relation to the population density of those areas, Thomson did not support the idea. He believed it would be an arbitrary decision to set the areas and "one hundred yards might make the difference between say three guineas and one guinea" (SC3, 1913: Q1717).

Apart from the utilitarian purpose of the 5 guineas in meeting costs, Thomson revealed other reasons for its quantum when he pointed out:

> "If you made it [the new society] purely voluntary and only a small subscription was required, no one would join and there would be no one to see that the provisions of the Act were carried out, or to have supervision over the members.

> You defeat the whole object of the Bill if you separate the one [subscription] from the other [compulsory membership]" (SC3, 1913: Q1978–80).

Thus, compulsory membership and control were key elements. In this, Thomson was supported by RE Forrester, the Secretary to the Natal Society of Accountants, who stated the fees would pay for the expenses of creating "a body which, as we claim, will perform the double duty of raising the status of the profession and protecting the public" (SC3, 1913: Q2663). The last remark was a common claim made by the promoters and their witnesses. Thomson, for example, linked the public good with "properly trained and qualified men" (SC3, 1913: Q1727).

When asked by Walker, the Parliamentary Agent for the opponents to the Bill, for his opinion, James Leisk, Secretary for Finance in the Union Government, stated that he believed many would apply for registration and agreed the process would bring "an immense sum of money to the coffers of the Council, for which it is giving no value". The last comment is instructive of Leisk's opinion of the Bill on its 1913 presented form. He pointed out that he would also have some difficulty in defending a claim to retain the fees paid by applicants in such circumstances (SC3, 1913: Q3022). The fact that Leisk was interviewed in his official capacity is significant. While not explicitly stated, it is possible that he was the semi-official voice of the Union Government. His criticism of the proposed fee was thus important.

When William Hay, the Mayor of Sea Point and a petitioner against the Bill, was asked his opinion with regard "to this subscription" he declared bluntly "they want too much money" (SC3, 1913: Q3656). He did not, however, believe in the efficacy of a subscription calculated at 1% of the member's earnings (as declared by them) (SC3, 1913: Q3659) and stated the annual subscription should be "one guinea" (SC3, 1913: Q3664).

The common agreement was thus that the fee of 5 guineas – however split between registration and subscription – was too much.

The issues of subscription and registration fees were, understandably, closely linked to the issue of membership. This was clearly illustrated by the evidence given by one

EW Snell, a civil servant in the "accountancy branch" and a licentiate of the Central Association of Accountants, "the third largest in the United Kingdom" (SC3, 1913: Q3859) and with a membership of 14 in South Africa. The Association was one of the petitioners against the Bill (SC3, 1913: Q3856–8). When questioned by Walker, Snell admitted that his perception of the Bill was that it was inimical to his rights. He was not an accountant in terms of the Bill as he had neither passed the final examination nor was he practising as an accountant (SC3, 1913: Q3870) and he similarly failed to meet the terms of Section 9(5) of the Bill which could allow admission to people "by virtue of their knowledge and past experience in the business of an accountant" (AB, 1913: 20). But Snell was employed as a Government accountant and, together with his colleagues in the service of municipalities and the railway administration, formed an important pressure group. This would be important in 1924 when a second Bill came before a House with a significant Labour membership component as a result of the Nationalist-Labour Pact of 1924.

Snell recounted how he had contacted the secretary to one of the Bill's promoters, a Mr Douglas of the Cape Society of Accountants and Auditors, and asked whether the new society would be obliged "to admit men of very limited experience" to which Douglas had replied "yes, but then, of course, the subscription will probably force them out in time" (SC3, 1913: Q3876). While Snell admitted that Douglas may have not used those exact words, the effect was along the lines "that the subscription would freeze them out or get them out somehow" (SC3, 1913: Q3876). Walker was the questioner at this point and noted that Snell was part of a large body of men who would be affected adversely by the Bill if it passed.

In his cross examination of Snell, Advocate Close for the proponents, put it to him that Douglas had not shown any intention that the subscription would be used to "force anybody out" (SC3, 1913: Q3941) merely that some prospective members would choose not to pay and therefore forfeit a potential membership. It was a moot point which Snell refused to concede, merely stating "I cannot say what was at the back of Mr Douglas' head when he made the statement. He ought to be able to tell you" (SC3, 1913: Q3948).

The adversarial tone of this exchange between witness and counsel is an indication of the hard legal game undertaken by both counsel for the promoters of the Bill and their opponent, Mr Walker, the Parliamentary Agent. Walker had in fact signalled this intention on the second day of proceedings – 13 February 1913 – when he took exception to the petition of the Bill on the grounds that the main signatory's signature had not technically been witnessed in the correct jurisdiction (SC3, 1913, Proceedings: viii). The result was that the Committee was adjourned until the following morning so that the matter could be considered. When the Committee met on 14 February, the Chair – Krige – acknowledged the correctness of Walker's objection "from a strictly legal point of view" as well as the fact that because the matter had been raised in Committee, it would need to be resolved in Committee. He suggested both parties agree to amend the petition appropriately (SC3, 1913, Proceedings: vii). Agreement was found and the proceedings continued. In such a competitive environment, mistakes were costly as the faulty Preamble was to show.

MEMBERSHIP OF THE NEW SOCIETY

SECTIONS 9 AND 18: THE TOOLS OF EXCLUSION

Membership of the new society was also a divisive issue. The Bill allowed for the establishment of a body corporate entitled the "South African Society of Accountants" but it was far from inclusive of all accounting societies in South Africa. In terms of Section 9 of the Bill (AB, 1913: 8), individuals could, in writing, with the prescribed fees and within nine months of the promulgation of the Bill, make application to a provisional council for enrolment as public accountants and auditors and membership of the society. Further, this enrolment was subject to five provisos and applicants needed to satisfy the provisional council that they were met appropriately. Variations on these provisos were to be found in all attempts to legislate for the profession, including the 1951 Act. The provisos were listed in Section 9(3) of the Bill and were as follows:

1. membership of one of the four Provincial Societies; or

2. success in the final examination of any of the four Provincial Societies at the date of the Bill's promulgation; or

3. residence in South Africa and membership of one of a select list of mainly foreign societies. This list included the royally chartered British accounting bodies: the three Scottish Societies of Edinburgh, Glasgow and Aberdeen, as well as the Institutes in England and Wales, and in Ireland. In addition, the Incorporated Institutes of Accountants in South Australia and Victoria were on the list as was the Institute of Accountants in Natal and the Society of Incorporated Accountants and Auditors (1885). While none of the last four were chartered societies, it is apparent that the promoters of the Bill believed a charter indicated a quality of service and expertise beyond that provided by a non-chartered society (see for example SC3, 1913: Q2730, Forrester before the Committee). Increasingly in the period 1913–27, this would be public opinion as well and would prove to be an important aspect in the passage through the Union Parliament of the Chartered Accountants' Designation Bill of 1927. Also worthy of note is the fact that of the nine accounting organisations listed in Section 9(3) of the Bill, only one was of direct South African origin. This was an important mistake in the light of Hertzog's self-deterministic 1912 speeches and the growing idea of "South Africa First" (Davenport, 1987: 235).

   Why the Bill specifically allowed entrance from the Institute of Accountants in Natal when the Act of 1909 required compulsory membership in Natal is unclear. However, the treatment given to the societies listed in the third proviso above suggested preferential treatment of selected groups and attracted criticism and censure. No such list appeared in the 1924 Bill;

4. persons who, at the date of the Bill's promulgation, were *bona fide* practising accountants and had lived in the Cape Province or the Orange Free State continuously for not less than six months; or

5. residents of the Cape and Orange Free State who, at the date of the promulgation of the Bill were considered by the Provisional Council "fit and proper persons to be admitted to the register by virtue of their knowledge and past experiences in the business of an accountant" (AB, 1913: 10).

Three issues need to be clearly explained at this point. Firstly, the exemptions available in terms of provisos 4 and 5 above were only available to accountants in the Cape Province and the Orange Free State. Those resident in Natal and the Transvaal and who were not members of either of the Societies established by statute in those two provinces, were excluded by the Bill and would have no chance of an initial acceptance. The argument was that they should either have attained membership in terms of the founding legislation or qualified subsequently in terms of the statute law in Natal and the Transvaal. Such persons would *de novo* need to write and pass examinations in terms of Section 3(b) of the Bill as well as complete the necessary period of tutelage in terms of articles of clerkship. These requirements encouraged determined opposition to the Bill, particularly as people were originally allowed into the fledgling Transvaal Society in 1904 without examination (SC3, 1913: Q1818). Since its founding in 1904, the Transvaal Society had matured to the point that by 1913 admission to it was strictly by examination (see, for example SC3, 1913: Q1934 (Thomson before the Select Committee)).

The second point of importance was the composition of the proposed provisional council (mentioned in proviso 5). In terms of Section 6 of the Bill, the council was to comprise 11 persons. The Transvaal, Natal and Cape Provincial Societies were each to appoint three members while that of the Orange Free State would appoint two. The statutory Societies had thus a potential clear majority in the affairs of the provisional council and could either accept or reject applicants on the basis of their being "fit and proper".

The third issue was the preferential treatment of the foreign societies listed in the Bill.

Advocate Close examined Samuel Thomson on 19 February and again on 20 February. Thomson was a man of some importance, having served twice as the President of the Transvaal Society of Accountants as well as being on its Provisional Council in 1904 where he assisted with the first registration of people permitted to join that new society. He was of the opinion that the Transvaal Ordinance of 1904 had worked well and raised the long-term standard of the profession in that province (SC3, 1913: Q1599–1600). When Close drew his attention to the list of acceptable foreign societies in Section 9(3) of the 1913 Bill, Thomson pointed out that in the negotiations that led to the Private

Bill of 1913, both the Transvaal and Natal delegates had believed it important that the societies listed in Section 9(3) be retained "so as to preserve any rights which those bodies had under the Transvaal and Natal Acts" (SC3, 1913: Q1628). Obviously there were reciprocal arrangements in place between the Provincial Societies and these foreign societies (SC3, 1913: Q1640; 1649).

It appears the intention of the promoters was to allow members of the foreign societies a window period of nine months in which to obtain membership of the proposed new society. Thereafter, membership would be in terms of "such Societies as are put on the list and in the by-laws under section eighteen of the Bill" (SC3, 1913: Q1641–3). This interpretation appears reasonable in terms of the wording of Section 9 of the Bill.

In general terms, Section 18 applied 12 months after the Bill became law and required applicants who wished to be placed on the register to prove South African residency and either membership of a society recognised by the new South African society or proof of having passed an appropriate examination and was, in council's opinion "of good character and standing befitting a member of the Society" (AB, 1913: 14). Thomson's conclusion was that thereafter, the council of the new body needed to reconsider the matter of registration. There can be no doubt that Sections 9 and 18 of the 1913 Bill were intended to be exclusionary. Section 9 of the Bill detailed who would be allowed into the new society automatically on the basis of existing qualifications or membership of existing societies. Section 18 dealt with admission after the Bill – now Act – had been in existence for 12 months. Admission via this section would be in terms of the new society's by-laws established during the intervening 12 months. The only reasons for non-admission specifically detailed in Section 18 were those of "character" and "standing" and both required a council resolution supported by three quarters of the votes of the council's total membership.

Thomson admitted that the promoters of the Bill had received applications from other societies to be added to the list but had considered none, as the process was a lengthy investigation of examinations, qualifications, status and "so on before names could possibly be put on the list" (SC3, 1913: Q1629). He also supported the statement made by a previous witness – Mr Harry Gibson – that if the Select Committee required other names to be added to the list, the promoters would "withdraw the Bill" (SC3, 1913:

Q1630). Thomson also noted that neither the Central Association of Accountants of London [in opposition to the Bill] nor the Corporation of Accountants Limited of Glasgow [rejected in 1906 for membership privileges (SC3, 1913, Proceedings: xiv)] had applied to be put on the list but were deliberately "setting up this opposition and these allegations of hardship" (SC3, 1913: Q1636–9). At this point it is appropriate to consider Harry Gibson's evidence. Gibson was both the convenor of a committee to consider and promote the Private Bill and its chairman at the time the Select Committee met in 1913 (SC3, 1913: Q48). He had submitted the actual Bill to the Committee on behalf of its proponents.

THE "INCORPORATEDS" AND POTENTIAL GOVERNMENT INTERVENTION

By his own testimony, Gibson was an Incorporated Accountant, the designation by which members of the English Society of Incorporated Accountants and Auditors were known (SC3, 1913: Q2). This Society was listed as one of the privileged societies in Section 9(3) of the Bill. The petitioner against the Bill stated that it was

> "a private measure of an arbitrary character drafted primarily in the interests and for the benefit of the Institute of Chartered Accountants and the Society of Incorporated Accountants and Auditors of England and the Bill is not drafted in the interests of professional accountants generally" (SC3, 1913, Appendix B: vii).

When these facts are considered together they suggest a degree of coordination and cooperation between the named United Kingdom societies in Section 9(3) on the one hand and the four South African Provincial Societies on the other with the Incorporated Accountants in South Africa acting as a *via media* in the form of Harry Gibson. An organised profession in South Africa with international reciprocity was in everybody's interest, providing every accountant had equal opportunity.

From 1896, the Incorporated Accountants had an organisation in South Africa known as the South African Committee. The main purpose of this body was to protect its members' interests and to advise its London office "on all matters connected with accountancy in South Africa" (SC3, 1913: Q13). It is clear from the evidence Gibson gave that this Committee wielded influence in the Cape and Transvaal. It is also

suggestive that Gibson presented the Bill on behalf of the promoters. This is evidenced through minutes of a joint meeting of the Society of Accountants in the Cape and the South African Committee of the Society of Incorporated Accountants and Auditors held in the offices of Mr Gibson in the New York Buildings, Cape Town, on Friday 11 October 1912 at 4.15 PM (SAAHC, TSA Minutes, 11 October 1912). Here Gibson explained at length the draft Union Accountants' Registration Bill. Support for it was strong, but there was an underlying tension as a result of Messrs Blair and Louw previously pointing out the absence in the draft Bill of any mention of the Incorporated Society of Accountants and Auditors. Their Johannesburg branch wanted assurance that none of the privileges enjoyed by that Society under the Transvaal Ordinance and its by-laws would be withdrawn in any new measure that might be introduced. Further, they wished for the Bill to protect articled clerks already under service (SAAHC, TSA, Special General Meeting of the Transvaal Society, 6 October 1912). The Incorporated Accountants were important in the drive towards a Registration Act. But whether they were the moving force behind the Bill is difficult to either prove or disprove on the basis of the available evidence. The fact remains that the only formal petitioners for the Bill were the four Provincial Societies and the Incorporateds. Gibson refuted a suggestion that the Bill was not in the interests of South Africa but instead to promote the "interests of Chartered Accountants and the Incorporated Societies overseas" (SC3, 1913: Q66) by pointing out that such organisations were neither invited to the conference that had set the Bill in motion, nor had they contributed financially to the process (SC3, 1913: Q66–8). But the suspicion remained.

Gibson opposed the idea of a permanent quasi-Government board independent of the profession to control the members' register or the examination of potential candidates on the grounds it "would not be able to deal with qualifications and we do not know how it would affect the public" (SC3, 1913: Q185). While he had no objection to placing on the Council current Union senior civil servants, such as the Auditor-General or the Head of Treasury, as suggested by the opponents to the Bill, he pointed out that future occupants of these positions might not be as suitably qualified. But the idea was carried forward to 1951 where key posts were held *ex officio*.

Gibson referred to the New Zealand Society of Accountants established in 1908 where its board comprised, amongst others, officials such as the Auditor-General and the

Commissioner of Taxes. While the New Zealand issue has already been discussed, Gibson's evidence highlights key elements. On the available evidence – "because naturally the Society will not state in its report that the thing does not work very well" (SC3, 1913: Q185) – the New Zealand Act had created problems. In particular, he drew attention to an article in a publication called *The Accountant*, a "recognised organ of the profession", which stated that hundreds of men who had been put on the members register by the New Zealand Registration Board "had to be removed on account of ignorance alone" (SC3, 1913: Q185).

This and the crisis it precipitated caused a scandal. Gibson described the New Zealand experience as "a Government Bill and the Government carried it with their Party majority" to the detriment of the profession there. In comparison, he pointed out that the South African experience had commenced with "a Private Bill" (SC3, 1913: Q185). Gibson did not attempt to elucidate the differences in the two processes, whether positive or negative. But the omnipresent spectre of unilateral action on the part of the South African Government to force a Bill through Parliament ultimately led the Four Societies to compromise in the 1951 Act. Whatever the ups and downs in the New Zealand process, it had points of similarity and difference with that in South Africa. For example, Sir Joseph Ward, the New Zealand Prime Minister voiced something very similar to what the South African promoters sought when he stated:

> "The purpose of this Bill is to establish a corporate body consisting of qualified accountants, and having power to make provision for the training and examination of members of that profession, and generally to promote in such manner as it thinks fit the efficient practise of that profession in New Zealand. The Bill confers no monopoly and no coercive powers over persons who are not members of the Society, save that by clause 32 no person other than a member is at liberty to use in connection with his business the terms 'registered accountant' or 'public accountant' " (Graham, 1960: 23).

The idea of Government oversight of the profession was also anathema to the Chair of the Orange Free State Society of Accountants and Auditors, George Smetham, during his cross examination by Walker on 19 February. When asked whether he would object to a Government register and registrar independent of the proposed new society's

council, he declared that he would – on principle. "The principle would be that those who are to have control of the profession ought to be of the profession, having adequate knowledge of its needs and requirements" (SC3, 1913: Q1370).

MEMBERSHIP AND THE PREAMBLE: OTHER WEAKNESSES AND THE QUESTIONING OF GEORGE SMETHAM

The issue of membership as laid out in the Bill was dealt a heavy blow by Walker for the opponents while questioning George Smetham, the Chairman of the Orange Free State Society of Accountants and Auditors and originally an Incorporated Accountant. He was thus an important figure in the process. On 19 February 1913, Walker put the question: "Your preamble proceeds on the basis of all practising or entitled to practice. Is that not so?" (SC3, 1913: Q1320). To this he received agreement whereafter he asked:

> "Then is it not a fact that the succeeding Clauses in the Bill seriously limit that, and prevent a number of people who are entitled to practice from practising, or at all events make the right to practise dependent on the will of an interested Council?" (SC3, 1913: Q1321).

To this question, he received a response indicating that Smetham was unsure as how to answer. Walker simplified the question into two parts, the last asking whether there were serious restrictions in the Bill. To this Smetham replied: "I should say no – not serious" (SC3, 1913: Q1324). Walker pushed the point: "does not the latter part of your Bill go outside the Preamble?" When Smetham replied "not necessarily" (SC3, 1913: Q1327), Walker again adopted the approach of breaking his question into two parts. In the first part, he asked: "But any man reading the Preamble will take it for granted, if he is practising or entitled to practice, that he would be registered?" Smetham agreed (SC3, 1913: Q1327). Walker then enquired: "But when we come to go down into the Bill we find restrictions imposed" to which Smetham again agreed (SC3, 1913: Q1329). Walker then concluded this line of enquiry: "What I want is this. The Preamble of the Bill does not give us any notice of these restrictions and limitations. Did your notice to the public give any notice of these?" (SC3, 1913: Q1330). Smetham avoided any direct answer, but Walker had achieved his goal – the Preamble was defective – and the Select Committee could draw its own conclusion.

Earlier during that session, Walker had questioned Smetham who confirmed his attendance at the 1911 conference held by the Provincial Societies to consider the draft Bill, as well as to having a good knowledge of it. He had also read the petition in opposition to the Bill with its three petitioners – John Andrew, Andrew, again, but as a representative of the Central Association of Accountants (London) and William Hay. While not representing them specifically, Hay was a Fellow of the Corporation of Accountants Limited of Glasgow (SC3, 1913, Appendix B: iii). When Walker asked Smetham whether he had any reason to doubt whether the above-mentioned organisations were "bodies of high repute", he answered "I know nothing about them beyond their names" (SC3, 1913: Q1307–8). Walker found this odd because his next question was "but do you not think as an active member of the Committee [i.e. the proponents of the Bill] you ought to have enquired into the status and standing or otherwise of these people?" Smetham's reply was a non-committal: "I do not think it affects the position" (SC3, 1913: Q1309). Smetham had been evasive and reluctant to discuss the issue of membership, no doubt aware that it was contentious. But Walker scored a direct hit regarding defects in the Preamble and the unwillingness of a senior member of the promoter's camp to "come clean" on the issue.

THE PUBLIC GOOD

Despite his inability to reply effectively to Walker's questions, Smetham was quite clear as to one of the fundamental principles behind the Bill when he responded to a question from Cronje, a member of the Select Committee, as to whether the Bill gave protection to the accountant. Smetham stated that it was "not a question of protecting the accountant. The protecting of the public is the first point" (SC3, 1913: Q1531). By this, he meant that if a unified society of accountants existed in South Africa, its desire to achieve a consistently high standard of accounting and auditing would enable the public to use the services of that society's members with confidence.

This is a theme much emphasised by the proponents and other supporters of the Bill before the Select Committee in 1913 and again in 1924 in the House of Assembly when it was considering the South African Society of Accountants Bill. Advocate Close described the process as follows: "the matter is regarded from the point of view of the promoters, first, as it affects the public and next the interests of the profession, as it will tend to the interest of the public" (SC3, 1913: Q61) of achieving the public good

through a unified accounting profession. ACM Blackman, the Chief Agent of the National Bank of South Africa in the Cape Province, pointed out it was "well to know that balance sheets presented to the bank are certified to by competent persons, and not only competent people but people of some repute" (SC3, 1913: Q3180). The process resonates strongly with Douglass C North's idea of change at the margin or edge ultimately impacting upon the centre; in this instance, one characteristic (competence) first introducing another (repute) and both, over time, becoming standard practice at the centre and changing how things work.

The promoter of the Bill, Harry Gibson agreed with Advocate Close's observation that an object of the Bill was "to provide for the registration of persons publicly practising or entitled to practice publically in the Union of South Africa" (SC3, 1913: Q85). The purpose of such registration was to make available to the public and private sectors of the economy lists of people competent to practise accountancy and auditing and "to debar unqualified persons from practising" (SC3, 1913: Q87–93). Later in the proceedings, when asked whether organised commerce supported this idea, Gibson responded (as already quoted in Chapter 5 above): "Undoubtedly. The practice is growing in Cape Town and also on the Rand of employing qualified men to audit the books of the mercantile people" (SC3, 1913: Q1020). This statement underlines the link between the growth in the South African economy and the growth in the profession. Greater commercial activity and the investment of foreign capital – especially in the goldmines – necessitated the use of suitably qualified accountants in preference to bookkeepers.

A reading of the evidence given to the Select Committee, however, reveals little actual public interest in the Bill. A Cape Town merchant – RM Maxwell – appeared before the Committee on 26 February in support of the Bill but admitted to Cronje of the Committee that he was giving his own views and not those of the public or only so far as he knew them and so far as he had discussed them with friends. When asked whether he had proposed calling a public meeting to discuss the Bill, he admitted that he had not (SC3, 1913: Q3145–7). But, the topic had received coverage in the press. In the Eastern Cape, *The Eastern Province Herald* in Port Elizabeth of 30 October 1912 reported upon the annual meeting of the Cape Society of Accountants. The article stated:

> "The object of the Union Accountants' Registration Bill is, briefly to secure the recognition of accountancy as a profession throughout the Union. It is generally admitted today that the services of an accountant are as necessary for the protection of the public, and particularly of the business man, as a lawyer. With the enormous development of commercial interests and especially the rapid growth of the limited liability principle, the services of an accountant are practicably indispensable. Accountants have been termed the watchdogs of commerce, but, as Mr Gibson pointed out, they must, like all watchdogs, be properly trained if they are to be of real service to those who employ them."

In addition, and as required by parliamentary procedure, the Private Bill was advertised in *The Eastern Province Herald* on November 1, 5 and 8, 1912, by the proponents' Parliamentary Agents, Bisset and Hofmeyr.

This idea of competent practitioners of repute servicing the public good was aired in the testimony of JR Leisk, Secretary for Finance in the Union Government, when he was again examined on 27 February. Leisk acknowledged that he supported the Bill and that it had its origins in the Transvaal Ordinance No. 3 (Private) of 1904. He believed that it had served the public interest well in the Transvaal. When asked by Krige, the Chair of the Select Committee, as to why legislation similar to the Bill had not been enacted in England, Leisk attributed it to two reasons – the difficulty in piloting private legislation through the British Parliament, "the congestion is so great", and the difficulties in securing agreement between the various accounting organisations (SC3, 1913: Q3275).

There was also a possible third reason – a reluctance on the part of the British Government to get involved and force registration, while the public good was not put in jeopardy. The Chair then asked whether there had been "such a general public demand in England?" Leisk confirmed that there had not because of "the opportunities that are there available to the commercial world for obtaining the best advice" (SC3, 1913: Q3276). Earlier in this thesis it was suggested that Leisk was present at the Select Committee as a semi-official representative of Union Government and had reservations about the fees proposed by the Bill. His comments at this point support the view of the Government's desire for competency and integrity within the profession but not at the cost of fairness.

Leisk held an important position in both camps – as a senior civil servant and as a member of the Transvaal Society of Accountants. This, together with his obvious competency and wide knowledge, led him to advise the accountants on legal technicalities. In the SAAHC file entitled "TSA Legislation and Communication of Incorporation 1906–60", correspondence in late 1910 between the Registrar of the Transvaal Society of Accountants and Leisk at the Treasury, resulted in his advising that alterations to the by-laws of the Transvaal Ordinance of 1904 needed "a two thirds majority of members present at the Special General Meeting convened for the purpose of sanctioning such alteration (Tvl Ord. 39/7, 6 April 1910).

A letter from Webber and Wentzel (lawyers for the Transvaal Society of Accountants) to the Secretary of the Treasury confirmed the changes and the amendment could then be submitted to his Excellency the Governor in Council for approval (Tvl Ord. 39/7, 14 April 1910).

The New Zealand Attorney-General – Dr Findlay – assessed the process in that country which culminated in the creation of the New Zealand Society of Accountants in 1908 as follows:

> "The Bill protects the public to some extent against incompetency on the part of accountants. In these cases it seems to me that the interests of the public are much more important than the interests of the profession itself. Just as in the legal profession, the medical profession, in dentistry, and so on, we have required that certain qualifications shall be possessed so that the public may have some means of knowing whether a man is qualified or not, so here it is sought to give the public an opportunity of knowing whether a man is a registered and qualified accountant – whether he has the higher qualifications to which this Bill refers. It is in keeping with legislation in all directions and aims chiefly at protecting the public against incompetency" (Graham, 1960: 23–4).

The ideals were thus the same in both South Africa and New Zealand but they were not the basis of the South African solution in 1913. The New Zealand solution was inclusive – no doubt based on the premise that if all registered, all could be subject to

control and penalty. The South African solution was both exclusionary and elitist within a framework of self-regulation.

THE IDEA OF AN ACCOUNTANTS' MONOPOLY AND THE REALITY OF DISCIPLINE

A problem the fledgling Union faced in 1913 was a chronic shortage of qualified manpower in most fields, and the demand for accountants outstripped supply. In such a situation, the words "monopoly" and "fee" gain special significance. While examining Thomson on 21 February, Advocate Close explained that a circular entitled *Creating a Monopoly* had been distributed to members of Parliament and he offered Samuel Thomson an opportunity to comment upon it. Thomson stated cryptically, "I once wrote an article and I was accused of uttering a deliberate falsehood, but two days afterwards there was an apology in the paper that published it" (SC3, 1913: Q1897).

This appears to be the only reference to the idea of an accounting service monopoly in the minutes of the Select Committee's 1913 meetings. But the idea that the four Provincial Societies were seeking to dominate the market through their Private Bill was "out there" and this became more of an issue in debates on the 1924 Bill. Closely linked to the idea of an accountants' monopoly was the topic of fees, specifically the amount accountants charged clients for services rendered. When being examined on 21 February, Thomson made reference to bookkeepers doing "a little audit work" for £25–30 per year (SC3, 1913: Q2000) and indicated this to be a small fee. When asked during the same session as to whether the Transvaal Society had established the fees its members could charge their clients, he declared members charged what they could command in the same way "the barrister who has exceptional ability commands a higher fee because the people go to him" (SC3, 1913: Q2039–41).

As an interesting aside, Walker enquired of Harry Gibson on 17 February how much money – in the form of subscriptions and other charges to prospective members – was expected to flow into the society in its first 12 months if it became a legal fact. Gibson estimated £10 000 (SC3, 1913: Q705–7). When Walker pointed out that advocates, attorneys, notaries, medical men and land surveyors paid the Government a fee for admission to their respective societies and asked whether the accountants intended to pay something similar, Gibson indicated that no Government proposal had been

received but that in a previous draft licence bill, which had failed, "accountants were down for £20" (SC3, 1913: Q708). However, in due course, practising accountants were obliged to buy a practice licence from the Government. Before the Select Committee considering the 1924 Accountants Bill, TC Mitchell, a member of the Natal Society of Accountants, stated licences were payable in the Cape and Orange Free State but not in Natal (SC7, 1924: Q331) and, presumably, not in the Transvaal either. James Douglas of the Cape Society confirmed the licence cost of £10 (SC7, 1924: Q835). Hooper, an English Chartered Accountant practising in Cape Town, also confirmed the fee of £10 to be an annual fee (SC7, 1924: Q2518). With regard to the idea of a monopoly, it is probable that if the promoters did not actually seek one, then their actions suggest they sought an elitist, exclusionist and disciplined society.

DISCIPLINE

In terms of Section 20, the Bill listed 13 offences, the perpetration of which rendered members liable, if found guilty, to either suspension from practice or removal from the register of accountants. Among the offences listed were practising as a "public accountant" without being a member of the society, describing a firm "as accountants and auditors" when every member of it was not a member of the society and "improperly obtaining or attempting to obtain work" by employing questionable methods, such as making unrealistic promises as to costs.

The Bill allowed a number of specific exclusions in "grey" areas, for example members could carry on businesses other than accounting, such as brokerages and receive commissions therefor. Presumably other businesses envisaged were professionally oriented as well.

Other exemptions allowed non-members who were not permanently resident in the Union to audit and report on accounts prepared in the Union on behalf of persons or corporations not resident in South Africa. Presumably this meant local branches of companies not registered in the Union being audited by foreign auditors. Also, members practising in the Union or elsewhere in partnership with someone not on the register and not resident in South Africa were permitted to do so, providing that the foreign partner was a member of a recognised [foreign] society which would enable him to register as a public accountant in South Africa.

As the Union became more politically and economically mature and less dependent upon foreign influences, so too did the exceptions change and develop into South African-centred issues. An analysis of the 1951 Act shows a small number of societies admitted as exceptions, but that Act also made provision for such societies to lose their seat on the Public Accountants' and Auditors' Board (PAAB) should their membership in South Africa fall below a certain number. Also, the vacant seat could not be filled by anyone else and was thus removed from the list of seats (Act 51, 1951: s3(1)(d)). Chief among this group was the Society of Incorporated Accountants and Auditors which had lasted the course set in 1913 only to fail at the last hurdle. With the growth in the acceptability of the South African body of accountants, direct foreign influence on the profession waned.

In terms of Section 21 of the Bill, the council could summon members of the society who transgressed Section 20 to appear before it, to hear and take evidence and to call witnesses. Members facing allegations of misconduct were to be informed of the nature of the complaints against them and to answer such complaints personally or through an authorised agent. Any member disobeying the council's lawful summons would need to show cause before the Provincial Division of the Supreme Court of the province in which he lived. Similarly, anyone found guilty of any offence in terms of the proposed Act, a by-law or regulation, would need to show cause before the Provincial Division why he should not be suspended from practice or have his name removed from the register.

The non-payment of the annual subscription was considered so important that it was given an entire section – Section 23. In the case of a subscription being overdue for two years, the council could apply to the Court for removal of the defaulter's name from the register.

Important in terms of what the subsequent Designation Act of 1927 achieved with the designation of Chartered Accountant, Section 26 of the 1913 Bill required each member to "append to his signature on any balance sheet, the title, description or initials allowed to members of the society" (AB, 1913: s26). This section had, as part of it, a fine of £5 on a first conviction by the appropriate Resident Magistrate for failing to do so and a

fine of not more than £10 for every following conviction. Identification of responsibility was thus important.

The disciplinary process was onerous, time consuming and expensive for those falling within its ambit – as was probably intended. But the Select Committee based its final decision on other issues.

THE MACHINERY OF THE PRIVATE BILL OF 1913

The Private Bill of 1913 to provide for the Registration of Accountants in the Union drew upon the Transvaal Ordinance of 1904, the New Zealand Act of 1908 and the Natal Act of 1909.

The Bill envisaged the initial process to be overseen by a provisional council whose membership in terms of the Bill was comprised solely of persons from the four Provincial Societies and who were to hold office for 12 months. The previously mentioned two pieces of South African legislation had had in place provisional councils to oversee the registration process in Natal and the Transvaal after which they made way for elected councils. In New Zealand, the initial process was handled by a registration board but, after completing its task, it too arranged for the election of a permanent council to govern the newly created Society of Accountants.

A significant difference was that the 1913 Bill (AB, 1913: 6) saw the provisional council as being made up of members of the four Provincial Societies; the New Zealand Act (NZ Act 211, 1908: 6) populated its registration board with senior civil servants like the Commissioner of Taxes and the Secretary to the Treasury. The direct influence of the New Zealand Government in the New Zealand process is apparent.

The 1913 Bill directed the first meeting of the South African provisional council to be convened – notably – by the President of the Transvaal Society in Johannesburg within six weeks of the Bill being enacted by Parliament. The rules to govern the proceedings of the council were detailed in Section 7 of the Bill (AB, 1913: 8). A quorum was set at five members. Ordinary business would be passed by a majority of members present at the meeting. Issues dealing with admission to the register of members – which the

council would control – would require a majority of the whole council. Twelve months after the passing of the Act, the registers of accountants permitted to practise in Natal and the Transvaal would cease to exist. The council would create four districts within the Union, each covering a province "for administrative purposes" (AB, 1913: 10). On days fixed by the provisional council after the promulgation of the Bill, members in each district would meet under the personal auspices of a member of the provisional council to elect district committees of not less than five nor more than nine members. District committees would each elect their own chairmen. The first council of the new society would be elected in a manner decided by the provisional council and consist of 11 members, three each from the Transvaal, Natal and the Cape and two from the Orange Free State, reflecting its largely agrarian base.

The issue of the council is dealt with more fully later in this Chapter. The Bill authorised the provisional council, at the request of a district committee, to make "special provision" as it saw fit regarding the qualifications of members of district councils as well as the representation at meetings of elected members who were unable to attend (AB, 1913: 10–12). There was thus a degree of flexibility in the process.

Within 12 months of the enactment of the Bill, the provisional council would hand over the business of the society to its first council, which would then hold office for three years. At the first annual general meeting thereafter, and at every subsequent annual general meeting, one member from each district, as decided by that district's committee, would retire and not be eligible for re-election for one year. On a five-yearly cycle, each district's representation would be considered on the basis of the society's by-laws, but no district would be represented by less than two members.

The Bill envisaged the permanent council as running the society's business with full powers to act in terms of by-laws still to be adopted but to be framed in terms of Section 33 of the Bill. Anything not covered by the by-laws was to be decided by the society in general meeting. In terms of Section 17 of the Bill, district committees were to act in accordance with the society's by-laws and in terms of powers delegated to them by the council. But the council could not delegate its power to admit persons to the register or to amend that register "in any way" (AB, 1913: 12).

FROM PROVISIONAL COUNCIL TO COUNCIL

The proposed provisional council and its replacement permanent council drew some fierce criticism in the Select Committee hearings, not so much for their existence, but for their proposed founding membership and the fact that much of the detail in the by-laws and regulations was left in the Bill to be drafted by these two bodies – after the fact of its promulgation. To many, it appeared that the promoters of the Bill wished Parliament to give them a blank cheque. The proponents of the Bill took the point of view that if the by-laws and regulations were approved by Parliament, then subsequent amendments would similarly need to be approved by Parliament in what could be a lengthy and expensive process.

The criticism by the Bill's opponents in this instance appears unfair. The New Zealand Act of 1908 similarly left the fine detail and formulation of the Society's regulations to its members in general meeting (NZ Act, 211, 1908: s20), such regulations to have the final approval of the Governor-in-Council. Significantly the issue of fees was deferred to this process as well, the Act stating only that they would comprise a once-off admission fee and annually "or at such other intervals as the regulations prescribe" such fees as approved (NZ Act 211, 1908: s30).

Both the Natal Act and the Transvaal Ordinance also deferred the final determination of their by-laws to their post promulgation period, the Governor-in-Council to give final approval in Natal and the Lieutenant Governor in the Transvaal. This mechanism avoided the need to go back to Parliament. It was thus common practice to finalise by-laws after promulgation of the legislation.

But there were other more immediate and critical issues that concerned the Committee. Mr Andrews of the Select Committee (not to be confused with Mr Andrew, an opponent of the Bill) interviewed George Smetham, the Chairman of the Orange Free State Society of Accountants and Auditors, on 19 February. Smetham confirmed that the Natal Society wanted the four Provincial Societies to elect the first council and that it would be for the provisional council to decide upon "the methods of election" (SC3, 1913: Q1489–91). This was later confirmed by FE Roberts, the Registrar of the Transvaal Society, when examined by Brown of the Committee on 24 February (SC3,

1913: Q2561). Andrews voiced the concern that "it may be a very arbitrary body that will be appointed by this Bill" (SC3, 1913: Q1404).

Andrews was clearly concerned as he pursued the issue, stating there was no guarantee that the proposed council would be elected democratically with the only redress being a costly and time-consuming appeal to the Supreme Court in matters of disagreement and thus an action of last resort.

When Advocate Close for the proponents examined Thomson on 20 February, he was at pains to have his witness clarify a number of points, principally that the proposed council, far from acting arbitrarily, would comprise men elected into a fiduciary position by their fellow professionals. Thomson observed "I do not think that these men would be so lost to all sense of honour and duty as to prostitute their duties and abuse them" (SC3, 1913: Q1602).

Thomson was no mere cypher. When examined by Vintcent of the Select Committee on 21 February as to the nature and difficulty of accounting work, Thomson replied, with some perspicacity:

> "Methods change as we go along. You find bigger corporations, and very often big matters of principle involved, while as the country grows older, we get bigger vested interests and bigger questions arising" (SC3, 1913: Q1995).

He had a sense of the evolution of the profession and the South African economy.

THE SELECT COMMITTEE'S CONCLUSION

Henderson of the Committee highlighted some key issues when, on 24 February, he asked FE Roberts why the Bill was an immediate necessity. To this, Roberts answered that the system in 1913 in the Union was untenable because one set of rules governed Natal and the Transvaal while another was in force in the Cape and Orange Free State. In this, he was correct, but it would take until 1951 to solve the problem. When Henderson agreed that an amalgamation of societies would be in the interests of accountants, Roberts added "in the interests of both the accountants and the public"

(SC3, 1913: Q2542). The implication here was that a unified profession would benefit all South Africans and the nation's economy.

With regard to representation on the proposed council, Roberts stated he was opposed on principle to representation outside the profession but he would support a nomination to the council made by the Governor-General-in-Council. When asked why, he declared he was "bowing to the wishes of this Committee" (SC3, 1913: Q2550–1). When asked what the idea was for having outside representation, Roberts replied that as the proposed Bill was new to South Africa, "the public would derive a certain amount of benefit from having an independent man on the Council" (SC3, 1913: Q2552). Outside representation was thus an unpopular option for the promoters – and in contrast to the New Zealand model where the process was run by "outsiders".

Much of the reason for opposition to the Bill is encapsulated in the evidence given by Andrew on 28 February (SC3, 1913: Q4151).

Andrew was a petitioner against the Bill individually and as a representative of the Central Association of Accountants (Limited by Guarantee) London. From the tenor of his evidence, this Association resented its exclusion from the list in the Bill of foreign societies whose members could be registered with relative ease (AB, 1913: 9(3)(d)). As a result, Andrew took "strong objection to the inclusion in Section 9 of the foreign bodies" (SC3, 1913: Q4093), partly because the Bill's Preamble contained no reference to this but principally because foreign accountants would be allowed to "practise over the South African youth who has been compelled to pass his examination" (SC3, 1913: Q4094). Also, the Bill, as it stood, would see many men performing accounting functions being "shut out" of the profession. In Andrew's experience, many accountants then in practice had originally held a "position in the bank or in the railway … one I know of was a brewer's clerk" (SC3, 1913: Q4108). If the Bill passed, the privilege given in the past "by law" would be denied to others.

Ironically, the examples cited by Andrew tend to support the need for a uniform system of articles and examination to train accountants. Andrew had no objection to a voluntary society of accountants being incorporated by Parliament, but, after 17 years in the profession, he believed being forced to register the Bill would result in "no

tangible benefit" (SC3, 1913: Q4135) being derived by him. On the contrary, it would see the little man knocked out of practice and would "create a corner [of privilege] in the accountancy profession similar to what they have in the Transvaal" (SC3, 1913: Q4136). Questioned further by Walker, Andrew agreed Parliament should either set or vet the proposed society's regulations as well as providing for an independent board of examiners (SC3, 1913: Q4139–45). Andrew continued with the theme of the little man in his objection to the proposed society creating its own rules. He stated:

> "We know that the small man has to be very careful in running a business so as not to run up against the big men on the Council" (SC3, 1913: Q4138).

Advocate Close put the promoters' view of their opponents succinctly when questioning Roberts:

> "It has been put to you that accountants are the watch dogs of the profession, but apparently the opponents of this Bill want to muzzle them and make them ineffective" (SC3, 1913: Q2399).

On Friday 7 March, the Select Committee heard closing arguments from Walker and Close. The Chair then cleared the room and put the following question to the vote: "That the Preamble stand part of the Bill" (SC3, 1913, Proceedings: xviii) – that is: the Bill be accepted. Krige, Vintcent, Henderson and Cronje voted against while Baxter, Brown and Andrews voted for and lost. Thus, the Bill failed.

The 1913 Bill failed ostensibly because its technical content regarding fees and registration was not accurately reflected in its Preamble. A similar error was allowed twice by the Select Committee dealing with the 1924 Bill. The 1913 Bill failed more practically because the Select Committee of the day realised that it was too narrow in its application and that the "public good" included the recognition of the interests of "the small man" and recognition of the South African individual's interest before that of the foreign man. Something better was needed.

The process was expensive, costing the Four Societies in excess of £3 000. Much of the expense was absorbed in the employment of parliamentary agents. In terms of North's

institutional economics, the agents had knowledge their clients lacked, thereby rendering it asymmetrical in their favour and granting them a special understanding of the complex workings of the parliamentary systems, as well as how to access it. These were valuable attributes. As North points out,

> "commodities, services and the performance of agents have numerous attributes and their levels vary from one specimen or agent to another. The measurement of these levels is too costly to be comprehensive or fully accurate. The information costs in ascertaining the level of individual attributes of each unit exchanged underlie the costliness of this aspect of transacting" (North, 1990: 48).

In short, the process had become too expensive to continue.

CHAPTER 7: "SOUTH AFRICA FIRST" AND THE DRIVE TO SELF-SUFFICIENCY: THE SOCIETY OF SOUTH AFRICAN ACCOUNTANTS (PRIVATE) BILL, 1924: ANOTHER FAILURE

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CHAPTER 7: "SOUTH AFRICA FIRST" AND THE DRIVE TO SELF-SUFFICIENCY: THE SOCIETY OF SOUTH AFRICAN ACCOUNTANTS (PRIVATE) BILL, 1924: ANOTHER FAILURE

INTRODUCTION: SOUTH AFRICA: 1913–24

The period 1913–24 was marked by many problems in South Africa: social, political and economic. It was also a period of slow but tangible development. The new Union Parliament had the task of administering a vast territory stretching from Cape Town in the south to the Limpopo River in the north. This difficulty was compounded by the Great War of 1914–8 and South Africa's emergence as a post-war British Dominion with an inadequately defined status but with a new pride, new responsibilities and new powers in the former German colony of South West Africa. The period of enforced isolation in 1914–8 had stimulated the beginnings of industrialisation in South Africa and pointed the way to its economic future. But after War's end, much of the manufacturing capacity was mothballed as imports were cheaper and it would take the Pact Government to see the effective revival of a policy of industrialisation.

The hardships inflicted by the Great War – such as a war debt of £38 million added to the national debt (Plant in Benians *et al.*, 1963: 829) – contributed to the growth of the "Poor White" problem as well as growing support for JBM Hertzog's National Party, formed in 1914. Poor Whites were largely White Afrikaners who lacked land as a result of the uneconomical subdivision of farms and the destruction wrought by the Anglo-Boer War. As a result, they lacked skills to compete in a modern economy but potentially had to compete with the equally unskilled but more numerous Blacks (Brits, 1995: 195). The existence of this stratum of society and the political need to appease its needs led to much discriminatory legislation, particularly in the mining industry.

Initially Hertzog's new political party began with the support of Afrikaners who believed Botha to be too pro-British as well as slow in considering their interests, but increasingly it gained the support of rural voters in the Orange Free State and the Transvaal. The Rebellion of 1914 was a struggle among Afrikaners and the Government's quick suppression of it led to increased support for Hertzog's party. This support was shown in the General Election of 1915 where the National Party won 27 of

the 130 seats available in the House of Assembly. The South African Party took 59 seats, the Unionists, 40, and Labour, four (Davenport and Saunders, 2000: 710).

Hertzog's political principles were expressed in a series of contentious speeches he gave in 1912, climaxing in a speech at de Wildt near Brits in December 1912 (Davenport, 1987: 257). Here, he made the observation that South Africa should no longer be ruled by those "who were not imbued with the proper South African Spirit" and denounced the foreign fortune hunters whose loyalty was to the British Empire rather than to South Africa (van den Heever, 1946: 148). This sentiment was taken up in the slogan "South Africa First" and, together with an earlier comment by Hertzog that South Africa was a nation of two streams – one English-speaking, the other Afrikaner (Krüger, DW, 1958: 67), alienated many pro-imperialists; but the idea of two separate peoples each with their own language and identity, appealed to just as many.

Both Smuts and Botha attended the Peace Conference in Paris in early 1919 to give notice of the then Union's existence and expectations. Two unofficial South African deputations also went to Paris – one led by Hertzog to plead for the restoration of the independence of the former Boer republics and the other, members of the South African Native National Congress. This organisation was later renamed the African National Congress, and had been formed in 1912 to press for the rights of Blacks ignored by the Union Government and subject to restrictive social legislation, such as the Native Land Act of 1913 (Davenport, 1987: 259–62). Both unofficial delegations failed in their quests.

Louis Botha died in 1919, shortly after returning from Paris. He was replaced by Jan Smuts, a man many Afrikaners found to be distant and cold but a man of "uncommon brains" (Hancock, 1968: 3). Smuts pledged himself to the principles of maintaining the imperial link between London and Pretoria, continued cooperation between English and Afrikaner in South Africa and the industrial development of the young nation (Breitenbach *et al.*, 1974: 334).

But it is in statistical terms that the Union's development in the period 1910–24 can be most easily understood. At the beginning of the period, the population stood at 5.9 million; 11 years later it amounted to 6.9 million (*Union Statistics,* 1960: A3). In 1911,

24.7% of the population was urbanised; in 1921, the percentage stood at 27.9% (*Union Statistics*, 1960: A10). The greatest increase in migrants from rural to urban areas, unsurprisingly, was amongst the whites with 51.6% in 1911 to 59.6% in 1921 of the White population living in urban areas. Also unsurprisingly, the Orange Free State was one of two Provinces with a 10% increase in the number of whites moving from land to town. Natal was the second with an increase from 63.9% to 74.3% in its urban population (*Union Statistics*, 1960: A10). It should be noted that figures for "Asiatics" are only available from 1926 when 60.7% of them were urbanised (*Union Statistics*, 1960: A10). Their ability to own land in rural areas of the Union was restricted by discriminatory legislation (Breitenbach *et al.*, 1974: 531).

In 1910, the mines employed 291 377 people of all races of whom 31 810 were White, 255 494 were Black and 4 073 Asian. By 1924, the corresponding figures were 302 482 (total), 31 109 (White), 269 215 (Black) and 2 158 (Asian) (*Union Statistics*, 1960: G4). In 1915, light manufacturing industry employed 88 844 people while 10 years later the figure amounted to 131 562, a 48% increase (*Union Statistics*, 1960: L3).

THE GENERAL ELECTION OF 1920

Towards the end of the period under review, the years 1920–3 were characterised by depression and falling gold prices. Feinstein (2005: 80) has pointed out that while the costs of mining production increased during the War, especially labour costs, the selling price of gold had been artificially inflated to the benefit of its producers. The fear – soon realised – was that, should the price of gold fall to its pre-war price, this price would be insufficient to cover the cost of production and many mines would be forced to close.

The year 1920 began on an economic low as a world-wide post-war depression and the abandonment of the gold standard took its toll and contributed in South Africa to an estimated unemployed – and often unemployable – Poor White population of 100 000. The Union-wide White population in May 1921 was calculated to be 1.5 million (*Union Statistics*, 1960: A3).

The decade ended with the onset of the Great Depression of 1929–33 by which time the number of Poor Whites had increased to an estimated 300 000, or one in three of the White Afrikaans-speaking population (Feinstein, 2007: 85).

Smuts called a General Election in March 1920 as the closure of mines on the Witwatersrand and a steep rise in the cost of living precipitated a political crisis. But there were other ingredients in the mix. Hobart Houghton, in his book *The South African Economy* (1976: 121), supports the view that the end of the Great War saw a decline in local manufacturing and employment in this sector as it again became cheaper after 1918 to import manufactured goods into South Africa. Botha's administration needed to take some of the blame for these problems. At the outbreak of war in 1914, the Union Parliament had given the executive branch of Government power to regulate prices. But the authorities had been lethargic in doing so, even when shipping constraints led to an acute shortage of wheat. The cumulative effect of these problems cost the South African Party the election (Walker, 1957: 571–2).

The results of the 1920 election saw the 134 seats available in the House divided as follows: 41 to the South African Party (SAP), 25 to the Unionists, 21 to Labour, three to the Independents and 44 to the National Party, thus making it the largest single party but without an absolute majority. Its clarion call for independence from the British Empire and separateness struck a resonating chord in those who believed in "South Africa First" (Davenport and Saunders, 2000: 710; Breitenbach *et al.*, 1974: 323). The increase in the number of Labour seats was mainly at the expense of the Unionists. As a result, Smuts could only govern with the support of the Unionists and Independents. This gave his ministry a narrow majority of four seats. The SAP and the Unionists worked well together while the Nationalists and Labour appeared to be moving closer. But the reality was that the Nationalist's rural base did not fully support the socialist ideals of the Labourites (Horwitz, 1967: 96).

At a conference in Bloemfontein in September 1920, Smuts attempted to bridge the gap between the SAP and the Nationalists and failed. With a real concern about the potential loss to the Union of foreign investor capital should secession from the British Empire take place, Smuts approached the Union Party under Sir Thomas Smartt and crafted a coalition (Davenport, 1987: 274) of their parties based on their common belief

of the need for the imperial link. On this basis, Smuts called another General Election in 1921. The National Party maintained its hold over the electorate but Labour lost most of its previous gains and only won nine seats. There was a single Independent, but the SAP/Unionist merger paid off with a total of 79 seats (Davenport and Saunders, 2000: 710). This victory was soon overshadowed by the Government's heavy handed treatment of three crises: the Bondelswarts revolt in South West Africa in 1921, the minor threat represented by the Israelite Sect at Bulhoek in the Eastern Cape in 1922, and, particularly, its handling of the Rand strike, also in that year (Davenport, 1987: 279–83).

THE GOLD MINES: BLACK VS WHITE LABOUR

Both the National and Labour parties drew support from the unskilled White labourers who moved into the Witwatersrand from the rural areas in search of work in the wake of the 1920 depression. This trek increased the extent of the Poor White or *bywoner* problem (Yudelman, 1983: 113; Feinstein, 2007: 83–5). They were protected against the competition of unskilled Black labour by the colour bar – the regulations to the Mines and Works Amendment Act of 1911 (Davenport, 1987: 258) which prevented Blacks from filling certain posts and the *status quo* agreement by which the mines agreed to maintain a specified ratio of Black to White workers (Breitenbach *et al.*, 1974: 335; Yudelman, 1983: 40, 147). The spirit of White labour in South Africa at this time ran counter to the nascent idea of "South Africa First" – the White miners identifying more readily with the notion of an international working class across the Dominions. In the Union, this was largely the result of the employment of White foreigners, principally English miners (Yudelman, 1983: 125, 129, 183).

The Chamber of Mines decided in December 1921 to reduce wages, abandon the *status quo* agreement (Walker, 1962: 589; Davenport, 1987: 280) and employed Blacks in semi-skilled work. The result was a massive strike by White gold miners following on a strike by Transvaal coal miners. Negotiations failed to secure a compromise solution. Smuts supported the mine owners. He persuaded them to reopen their mines, instructed the miners to go back on conditions unilaterally established by the owners and promised the Government would ensure law and order (Davenport and Saunders, 2000: 295). The situation escalated out of control; the miners took up arms, Smuts called out the military and declared martial law on 10 March 1922. The miners fought back and

Smuts, taking personal command of the Union forces, directed the Government's offensive. Fierce resistance was encountered in the Fordsburg area of Johannesburg and the Government responded by using artillery and aeroplanes to crush the revolt and reassert control. The ringleaders were hanged and many more were sentenced to prison terms (Walker, 1962: 591).

1922: THE WORKING CLASS

Popular literature has reinforced the largely mistaken belief (Yudelman, 1983: 183) that the Rand Rebellion of 1922 was a Bolshevik inspired uprising in the pursuit of ultimate world domination through Communism and the working man (see, for example, Smith, 1997: 80–3; Handcock, Vol. 1, 1962: 364–5). The reasons for this are not difficult to find. In the chaos precipitated by the strong stand taken by the Government to the labour unrest and widespread intimidation on the mines, a small group of Communists formed the Council of Action, declared for the Third International and sparked the conflagration that was the Rand Rebellion of March 1922. The Fordsburg miners' contingent raised a banner calling on "Workers of the World, Unite and Fight for a White South Africa". Feinstein interpreted this as the "triumph of racial over class solidarity" (2007, 81) while Davenport suggested that the strikers' intention was first to build class consciousness among the whites before dealing with the colour bar (1987: 283). But Hirson points out (2005: 19) that the small international socialist league, later to be the Communist Party of South Africa (CPSA), actively engaged in strikes on the Rand with the South African Native National Congress (SANNC), and gave the 1922 strikes its total support. This support included access to the *International* until the printing press was confiscated by the Government.

These nuanced opinions give an indication of the complexity of South African labour issues in the post-1902 period. There are many complex, interrelated elements in the mix but perhaps the critical ones are the investors who put up the capital to develop the mines, the labour needed to extract the gold, the state as a regulatory body and the whole complicated further by considerations of race and class. And within each element there were further complications, such as "pro-Empire versus South Africa First and Afrikaner Republican radical versus Anglophone syndicalist/unionist radical" (Yudelman, 1983: 125).

At this point, some consideration needs to be given to the idea of "class" in South African society in the period under review. In simple terms, social class is a system of social stratification "in which people are grouped into a set of hierarchical social categories" (Barry Jones, RJ (ed.), 2001: 160–9). The terminology used for class differentiation is usually upper, middle and lower classes; in socio-economic terms the phrases "working class" or "professional class" are used to describe people who have the same social, economic or educational background. It is this form of class that manifests itself in the House of Assembly after the 1924 election when Advocate Close, KC, clashed with the new Labourites in Parliament – Rayburn, Waterston and Hays. This observation is borne out by the fact that the perceived social difference is exhibited in the *South African Who's Who* for 1925 and 1926. This publication gives Close a fairly detailed Biographical thumbnail sketch, while the three Labourites are described simply as members of Parliament.

In the South African context, Johnstone (1976: 50) has identified the working class with lack of ownership of the means of production and land. The White working class in South Africa had its origins in the immigration of skilled White workers from Britain and other countries, as a result of the discovery of gold on the Rand (Johnstone, 1976: 53). In the early 1920s – primarily in the Transvaal – there still existed large groups of White people who lacked land but were politically free to organise trade unions, political parties and had the vote. Previously known as *bywoners*, more recently as Poor Whites and latterly as the Afrikaner White working class, they became an important focus for Hertzog's various legislative initiatives to free them from poverty. In South African history, the term working class came to mean "two groups of workers subject to quite different relations of production with the property owning class – a group of ultra-exploitable (non-White) workers and a group of politically free (White) workers, a sector of forced (non-White) labour and a sector of free (White) labour" (Johnstone, 1976: 50).

As stated earlier in this thesis, the intention is not to "write a history" of South Africa; it is also not the intention to enter a debate about the complex nature and development of South African labour and class in the early 20th Century. But some background is needed to be better able to understand the dynamics in the House of Assembly in the period 1924–5. At that time, the four Provincial Societies attempted to steer through

Parliament the South African Society of Accountants (Private) Bill but were prevented from doing so largely through the efforts of the Labour Party.

The liberal-radical debate on the interpretation of South African history took place during the 1970s and 80s and was given a focus by HM Wright's *The Burden of the Present* (1977).

With regard to White labour from 1924 onwards, the liberal interpretation is perceived by some to be one of state intercession in the market "to create a privileged white stratum in the wage-earning classes" (Davies, 1979: 2) contrary to the interests of capital and instrumental in the exploitation and domination of the Black classes. Racial prejudice is an issue phenomenon flowing from the class struggle and in need of analysis and explanation (Davies, 1979: 1–3).

The radical school as interpreted by Davies (1979: 2) had many problems with the liberal interpretation, among them the treating of two elements – the tensions between capital and White workers, and the tensions between Black and White workers – as a single element. While acknowledging the school's early preoccupation with issues such as the role of capitalist exploitation in social formation in preference to analyses of the White working class, Davies refers to Johnstone's pioneering work – *Class, Race and Gold*. Johnstone advances his study along several axes, but the basic premise of his work is that the employment colour bar was not so much derived from racial prejudice as from the perception of a class (with limited skills) of limited job opportunities when faced by the more numerous and "ultra exploitable" Blacks (Davies, 1979: 4). This is clearly shown in Johnstone's analysis of the *Status Quo* Agreement of 1918 which White workers viewed as

> "a protectionist response to the new war-time developments in the industry, extending job protection to the new, less skilled white workers" (Johnstone, 1976: 110)

This is not to deny the importance of race as an element in the mix. Keegan (1996: 14) has shown that racial prejudice, far from being culturally inert, was equally useful on the South African frontier in the 18th and 19th Centuries as it was in Parliament. In the

1924–5 consideration of the Accountants Bill in Parliament, the elements of capital class and White workers are apparent; race and Black workers are not. This would be a problem for future generations to resolve.

1922: THE CONSEQUENCES

The political and economic consequences of the strike and its suppression were important. Many strikers were imprisoned and the mines were obliged to employ Black workers in their place. White wages were cut by 25% but the effect was cushioned by a fall in the cost of living (Feinstein, 2005: 81), while the ratio of Black to White miners was set at 10:1, allowing the former to perform semi-skilled activities, such as the sharpening of drills. The now defunct *status quo* agreement had previously specified a ratio of 8:1 (Feinstein, 2007: 80).

This, coupled with the introduction of small jackhammers which allowed Black miners to drill further and faster than was possible previously, increased productivity and reduced costs. Also, no longer facing the need to wait for White miners to perform tasks previously reserved for them meant they spent more time at the rock face and hence achieved a better utilisation of labour.

In 1924, the percentage of White miners in gold mines to Black miners was 10.15% with a total employment of 210 986. In 1916, with a total employment figure of 238 054, the percentage had been 10.73%. By 1933, the percentage was 10.83% and by the outbreak of war in 1939 it had reached 13.06% (*Union Statistics*, 1960: G5). This suggests that the small gains made by Black miners in the 1920s were reversed in the 1930s, a contention supported by the Pact Government's primary concern to uplift the economic wellbeing of whites and the implementation of a "civilised labour" policy (Feinstein, 2007: 86). In terms of this policy, whites were employed to unskilled and semi-skilled posts for payment beyond normal economic rates and many Blacks lost their jobs in Government and quasi-Government departments like railways and harbours. Legislation prevented the private sector from employing Blacks at cheap rates (Feinstein, 2007: 86–7).

While the immediate result of the 1922 Rebellion was a victory for the mining companies, they were unable to make further inroads into the privileged position of the

White miners (Feinstein, 2007: 82). Two years later, in the General Election of 1924, the Labour Party – supported by English speakers, many of them working class and the urban poor – garnered enough votes to hold the balance between the Nationalists and the South African Party in Parliament. With memories of 1922 and Smuts' prominent role in the events of that year, Labour was predisposed to form a pact with the Nationalists (Feinstein, 2007: 82).

The leaders of these two parties saw common ground and in April 1923 concluded an election pact. Hertzog assured Creswell, the Labour Party leader and the electorate at large that should they win the next election, the Nationalists would not seek a change in South Africa's constitutional relationship with the British Crown (Breitenbach *et al.*, 1974: 337). For their part, the Nationalists had the support of the rural Afrikaners, and the unskilled Afrikaner workers who had trekked from the farms to the towns in search of employment on the mines. They resented the Government's inability to alleviate their distress. This Poor White problem played an important role in both the 1924 election and the Pact's subsequent social and economic policies (Feinstein, 2007: 82).

THE ORIGINS OF THE PACT GOVERNMENT

A year after the agreed alliance between Labour and the National Party – in April 1924 – Smuts' majority in the House of Assembly was reduced to eight (Breitenbach *et al.*, 1974: 339) when the South African Party lost the Wakkerstroom by-election. Previously considered a safe seat, the votes of the Volksrust railwaymen tipped the scale. Smuts realised that his party had lost support, dissolved Parliament and called a General Election for June which he lost to the Pact. The Nationalists won 63 seats, an increase of 16, and Labour 18, an increase of five; there was one Independent while the SAP took 53 seats and lost 19.

In many ways, 1924 represented a political and social watershed. Afrikaner and Briton now sat on both sides of the House in Parliament. Both National and Labour Parties had a concern for unemployment and a growing Poor White problem and each was desirous of achieving a lasting solution. Both Labour and National Parties were deeply suspicious of the mining companies, the former because of their fear of exploitation while the latter believed the gold mines' directors and shareholders put foreign interests above those of South Africa. A strong manufacturing sector would go far in reducing

the importance of the mines as well as providing a source of employment and an additional revenue stream for Government. Hirson points out that the South African Labour Party (SALP) supported segregation, ignored the Black struggles for recognition and in fact were openly hostile to Black advancement (2005: 19).

Creswell was reported in *Grocott's Penny Mail* in April 1924 as saying "PACT was the best thing to have happened to South Africa and it has killed racism more than anything else in the last 20 years could have killed it". The irony is that Creswell meant the conflict between the English and Afrikaans speakers rather than between White and Black.

The Botha-Smuts era had seen strong support for White political and economic dominance through the enactment of much segregationist law, such as the Native Land Act of 1913 – which weakened Black ambitions of equality. As Davenport and Saunders note, this legal foundation "made the removal of inhumanity in the law harder to contrive, and this fact played into the hands of the more ideological politicians who took over the reins in 1924" (2000: 299).

The year of 1924 also saw the beginning of a period of sustained industrialisation and economic recovery even though the South African manufacturing sector was small, mainly light in character and ironically, heavily dependent upon the mining industry to sustain it.

The following table devised by Feinstein and based upon *Union Statistics for Fifty Years, 1910–1960* (1960: L6–L33) indicates the importance of light industry.

TABLE 7.1

COMPARISON OF GROSS AND NET VALUE OF OUTPUT IN MANUFACTURING BY SECTOR, 1924/5

	(1) Gross value of output	(2) Net value of output
	(per cent)	
Light industry		
• Food, beverages, and tobacco	46.1	32.4
• Textiles, clothing, leather, and footwear	10.8	10.0
• Wood and furniture	5.9	6.9
• Paper, printing and publishing	6.7	11.2
• Other manufacturing	2.3	2.7
TOTAL:	71.8	63.2
Heavy industry		
• Chemicals and chemical products	11.6	12.1
• Pottery, glass, and other non-metallic mineral products	4.6	7.0
• Basic metal industries	6.0	8.9
• Metal products and machinery (incl. electrical)	2.5	3.3
• Transport equipment	3.2	5.3
• Rubber products	0.2	0.2
TOTAL: [Rounding of 0.1% in column 1.]	28.1	36.8

Source: Feinstein, 2007: 116.

As Feinstein points out, column 1 shows gross manufacturing output while column 2 shows this output less costs, such as raw materials and power. What is evident from the table is the fact that the light industries accounted for over 70% of gross output. With reference to the Food, Beverages and Tobacco sector with its 46.1% share of the gross value of manufacturing in the period 1924–5, the *Union Statistics* also reveal the following:

TABLE 7.2

WHITE EMPLOYMENT AND REMUNERATION: FOOD, BEVERAGES AND TOBACCO SECTOR: 1924–5

	(1) Food	(2) Beverages	(3) Tobacco	(1) & (2) & (3) Total	Overall Manufacturing (Major Groups) Total
Establishments	1 569	280	61	1 910	6 182
Employment (Total):					
- Whites	6 367	840	892	8 099	51 076
- Other groups	20 284	2 373	1 814	24 471	80 486
Wages & Salaries:					
- Whites	£1 100 000	£186 000	£163 000	£3 985 000	£10 539 000
- Other groups	£827 000	£124 000	£86 000	£1 037 000	£3 985 000

Source: *Union Statistics*, 1960: L3, L6–8.

The remuneration paid to whites is significantly higher than that paid to other groups, but whether as a result of more skilled work or subsidisation is difficult to determine. At this early stage, the Pact's policies were still in the process of being implemented so the practice of subsidisation may already have been widespread or more prevalent in some sectors than others. But the fact remains – Whites were paid more in this sector in 1924–5. As Yudelman has pointed out (1983: 40–1), economic success from 1924 onwards was at the cost of providing sheltered employment for Whites which the Pact transferred largely from the mining sector to the manufacturing and state sectors, being aware of the limitations of the ability of the mines to both generate nationally needed profits and to absorb the inflated cost of labour.

The year 1924 thus also marks an important economic watershed in South African history. Jill Nattrass supports this point of view and takes it a step further by stating that the process of industrialisation led to the development of "a class of local manufacturing capitalists" (Nattrass, 1990: 162) whose existence resulted in South

Africa avoiding the "ill effects of economic imperialism that were the concomitant of colonialism in so many instances on the African continent" (Nattrass, 1990: 162). From her point of view, it might be argued that 1927 was the key year in that it saw the passage through Parliament of a Bill to establish a state-owned iron and steel corporation – ISCOR. This enterprise was the first of many, which, including ESKOM and SASOL, accounted for 11 per cent of South Africa's total manufacturing output by 1977 (Nattrass, 1990: 163).

THE PACT GOVERNMENT IN OFFICE

The leader of the National Party, JBM Hertzog, took office in June 1924, the third Prime Minister of the Union as well as the third former general to hold this position. The South African Party retained control of the Senate until the passage of the Senate Act of 1926 required the Governor-General to dissolve the Upper House within three months of a general election (Breitenbach *et al.*, 1974: 345).

The economic progress in the period 1910–24 has been outlined at the beginning of the Chapter and allowed Hertzog to concentrate on three other issues: labour, language and race. A Department of Labour was created in 1924 with Creswell as Minister of Labour. The passage of the Industrial Conciliation Act of 1924 (Davenport, 1987: 258–9) made interaction between White trade unions and employers easier but did not recognise Black trade unions, while a Wage Act of 1925 set minimum wages for workers (Davenport, 1987: 287). These pieces of legislation, together with the Old Age Pension Act of 1927, did much to improve the position of White workers but Blacks and their welfare were largely ignored in the process.

With regard to language, the new Government in the form of DF Malan, Minister of the Interior, insisted upon bilingualism in the Civil Service, a move which created many opportunities for Afrikaners. In 1924, White workers on the railways made up 9.5% of the labour force. By 1929, this statistic had increased to 28.7% (Breitenbach *et al.*, 1974: 346). With the support of all parties, in 1925 the definition of "Dutch" in the constitution was amended to include Afrikaans as an official language (Davenport, 1987: 287). From 1914, Afrikaans was used in Dutch Reformed Churches and in 1916 it was decided to translate the Bible into Afrikaans, a project completed in 1933 (Breitenbach *et al.*, 1974: 350). In the early years of the 20th Century, Hertzog himself

had encouraged Afrikaans cultural development and had set up the annual Hertzog prize for the best Afrikaans literary work. There was thus a sense of expectancy and change abroad in the nation and the accountants were not immune to its siren call.

THE SOUTH AFRICAN SOCIETY OF ACCOUNTANTS (PRIVATE) BILL, 1924

INTRODUCTION

Against this political and economic background, in early 1924, a second Accountants Bill was promoted in Parliament by the four Provincial Societies, these being the Cape Society of Accountants and Auditors, the Natal Society of Accountants, the Transvaal Society of Accountants and the Society of Accountants and Auditors in the Orange Free State (SC7, 1924, Proceedings: xii). The task was unlikely to be easy – in the United Kingdom in the previous 20 years there had been some 30 attempts to have Parliament pass similar legislation "promoted by all sorts of people" but without success (SC7, 1924: Q241–4). There were two main reasons – factionalism and a Government which saw no reason for central control of the profession.

The reasons for the promotion of a second bill in South Africa were varied but what was perceived as a good idea in 1913 remained even more so in 1924 – a unified accounting profession responsible to a single governing body and responsive to the needs of a developing economy. New Zealand had gone this route in 1908 while Australia was still in the process of doing so. It would achieve its goal in 1928 with a unique Royal Charter granted by King George V which saw the incorporation of the Institute of Chartered Accountants in Australia (Graham, 1978: 12). In South Africa, a groundswell of positive public support for a post-war Union was crystallised in the resurrected slogan "South Africa First" and was demonstrated by the legal regulation of key professions as they organised themselves across the Union. This is evidenced by the passage through Parliament of the Architects and Surveyors (Private) Bill which went to a select committee in 1926 and emerged as Act 18 of 1927. As previously mentioned, the medical profession, too, was the subject of central regulation in a draft Medical, Dental and Pharmacy Bill which was introduced in 1925. The Bill lapsed thereafter but was revived in 1927 and passed as Act 13 of 1928. In such an atmosphere of independence, the award of a charter from the metropolitan centre was unlikely to be universally accepted or acceptable in South Africa.

The overall situation in the accounting profession in 1924 in South Africa was much as it had been in 1913; accountants in public practice in the Transvaal and Natal had to be members of the respective societies and membership was compulsory. The reason for this was that in each of these two provinces, the accounting profession had been unified and regulated by prior legislation, namely the Transvaal (Private) Ordinance of 1904 and the Natal Act of 1909. As a result, and as Walker, parliamentary agent for the Bill's proponents, put it, these societies were "properly entrenched and [had] virtually nearly all the powers that we seek now for all the four provinces of the Union" (SC7, 1924: Q21).

In the other two provinces, the Cape and Orange Free State, the respective provincial societies had no such legislative foundation. Membership of their societies was voluntary and anyone could practice publically in these two provinces as an accountant providing they paid £10 to the provincial Government for a licence to practice. About 200 licenses were in issue in 1924 (SC7, 1924: Q835–6) compared to a membership of the Cape Society of between 110–20 people (SC7, 1924: Q746). As a result, there was no central control in the Union over the competency of accountants or the quality of the work they produced.

One of the things that had changed since 1913 was the level of cooperation between the Four Societies. In the post-1913 period, in addition to cementing their relationship, the four Provincial Societies spent much time and effort in consolidating and extending their already important, if not dominant, position in the accounting profession in South Africa. For example, in terms of a 1921 agreement – known as the South African Societies' General Examining Board Agreement – the Four Societies and the Rhodesia Society of Accountants agreed upon common admission regulations. It was also clear that accountancy as a profession was growing, albeit slowly. Samuel Thompson's evidence to the Committee on 29 February 1924 was that the membership of the Transvaal Society was between 440–50 people (SC7, 1924: Q54). Thompson was a member of the Transvaal Society as well as being a member of the Institute of Accountants in Glasgow, a Chartered Scottish Society. The evidence of George Foster, representing the "younger school of accountants" in the Transvaal (SC7, 1924: Q1823), was that the Society had qualified "over 200" accountants since its inception in 1904. With its goldfields, the Transvaal was the economic hub of the nation.

Another issue from 1913 was that of an accounting monopoly. Foster, at the time, was being examined by Advocate Davis for the opponents of the 1924 Bill in the form of the Institute of Chartered Accountants in England and Wales. Davis underlined the thrust of their opposition when he posed the question

> "Do you agree with me that if the Society is to be given an entire monopoly of the profession by Parliament, then that Society cannot be permitted to close its door to any legitimate avenue into the profession?"

Foster agreed that any process of closing an avenue of entrance had to be gradually implemented over a period of time (SC7, 1924: Q1824).

THE BILL

The 1924 Bill was, in many respects, similar to the 1913 Bill whose key details were listed in Q2596–600 of the 1913 Parliamentary Select Committee's minutes (SC3: 1913). These included the creation of a Society of Accountants in South Africa and the

- opening of a register;
- compulsory registration of all accountants in South Africa;
- the provision of a means to distinguish qualified from unqualified applicants;
- the development of qualifications for current and future admission to the register; and
- the development of a legal body corporate with an elected council (preceded by an appointed provisional council) whose task it was to establish the society and its register and arrange for the election of the society's first council through district committees which, similarly, would be elected.

In addition, the proposed society was to have the power to:

- control the professional conduct of its members;
- declare certain acts and practices as offences;
- punish members found guilty of these offences;
- make by-laws to regulate the society's affairs;

- take any suitable steps to achieve its objects; and
- superintend examinations for entry into the profession.

The 1924 Bill was described as "providing for the establishment and incorporation of the South African Society of Accountants and further to provide for the constitution, rights, powers, privileges and duties of that society and the members thereof".

The Bill consisted of 44 sections, spread over 30 pages, half of them Dutch, the other half English. Afrikaans would be recognised as one of the two official languages the year after the Bill was introduced (Saunders and Southey, 1998: 5). Following an initial statement by the Preamble – which had been corrected twice on application to the House – a lengthy and unnumbered series of paragraphs laid out the reasons for the Bill. These paragraphs were highly detailed and explicit as to what the Bill required and envisaged. Together these paragraphs constituted the Preamble. The more complex the material, the greater the chance for error and this was clearly the case for the Preamble. Overall though, it is evident that considerable time and effort had been spent in "getting it right". Whereas the 1913 Bill failed for a technical reason regarding its Preamble, the lawmakers in 1924 allowed revisions to the Preamble. This fact indicates the desire to settle the affairs of the Accountants to the benefit of the Union. It could be argued, in terms of North's institutional economics, that change had occurred at the "margin" (North, 1990: 49).

Section 1 of the Bill stated the intention of the legislation and established the new society. Section 2 required the creation and maintenance of a register of the members of the society. Section 3 set out the 14 objects ranging from the conduct of examinations to promoting legislation deemed to be of advantage to the society. This suggested the new society would be pro-active in its own interests. Section 4 limited the register to Public Accountants in practice only, and stipulated 12 months after the passage of the Act that the use of the designation would not be tolerated unless the accountants so concerned were employed on a salary. Section 5 detailed the penalties for contravening this section. Section 6 detailed the formation of the provisional council and set the date and time of its first meeting. Section 7 set the *quora* and enabled it to appoint staff, notably the Registrar. The placing and wording of this section was almost exactly

similar to Section 7 of the 1913 Bill. Clearly the drafters of the Bill made use of the earlier documentation. Section 8 empowered the provisional council to divide itself into committees for local administration purposes. Section 9 defined eligibility and stipulated that applications were to be made within nine months of the commencement of the Act. Section 10 stipulated that within 12 months of the commencement of the Act, the Transvaal and Natal registers would cease to exist. Section 11 divided the Union into four administrative districts (the Provinces) while Section 12 detailed when and where meetings were to be held in administrative districts. Section 13 stated when district committees would meet to elect chairmen. Section 14 fixed the composition of the provisional council while Section 15 made readjustment of representation of the districts on council possible. Section 16 vested management and council, as well as providing for special powers to act without council for urgent matters. Section 17 provided for Council to delegate powers to district committees, while Section 18 defined eligibility for admission subsequent to 12 months after the passing of the Act. Section 19 detailed eligibility for those who had served 18 months in the office of practising members. [This was aimed at those accountants and auditors in the Union Public Service and the Provincial Administration.] Section 20 established the right of appeal to the Supreme Court. [This was in connection with Sections 9, 18 and 19.] Section 21 reserved the right of articled clerks, non-articled clerks and students in-service at the time of the passage of the Act. Section 22 established the registration fee of 5 guineas. Section 23 detailed extensively offences under the Act. Section 24 empowered the Council to obtain evidence in the investigation of alleged offences, while Section 25 empowered Council to deal with offending members. This section also directed Council to require that members show cause to the provisional division of the Supreme Court why they should not be suspended. Section 26 stripped a member of his position when guilty of non-payment of subscription fee overdue by two years. Section 27 allowed members to resign but allowed them to reapply once all arrears had been declared. Section 28 established the principle that, where members were removed from the register, they ceased to have any claim on the assets of the society. Section 29 entitled all registered members to the designation “Chartered Accountant (South Africa)”. Section 30 established the principle that, upon being elected to office, the Council could frame by-laws. Section 31 dealt with annual general meetings while 32 required council to report annually upon the affairs of the society. An audited statement of accounts was obligatory. Section 33 empowered Council to call a special general

meeting while Section 34 allowed all members to vote personally or by proxy at all general meetings of the society. Section 35 detailed what could not be discussed at general meetings unless two thirds of members personally or by proxy resolved to the contrary. In terms of Section 36, the Council was required to pass by-laws and to do so thereafter from time to time. Section 36 (a–m) detailed a general list of the subject matter of these by-laws. Section 37 detailed who could hold office on Council while Section 38 detailed what made acts of Council valid. Section 29 stipulated that upon the commencement of the Act, the Transvaal and Natal Societies were to be liquidated and their funds were to be dealt with as their respective council decided before liquidation. Section 40 fixed the liability of members to their registration fee and subscription, while Section 41 indemnified members of council and the society's officers from all losses incurred by them except where this was done through "wilful default". Section 42 repealed the Transvaal and Natal Acts within 12 months of the commencement of this Act. Section 43 was a rudimentary list of definitions, while Section 44 stipulated the official title of the Act to be The South African Society of Accountants (Private) Act of 1924.

From this brief analysis of the Bill's contents, it is obvious that the draughtsman of 1924 had simply "cut and pasted" large portions of the 1913 Act. The assumption was that the problem in 1913 had been confined to the Preamble and they failed to realise that the true weakness of the Bill was its lack of inclusiveness.

FOREIGN SOCIETIES

The Societies' by-laws from 1919 allowed them to recognise a claim upon entry to their membership by members of the Chartered Societies of Scotland, England and Wales as well as the English Incorporated Society. A provision in the 1913 Bill had specifically listed these foreign societies (AB, 1913: s9). This had been so unpopular that no such list was included in the 1924 Bill and as South Africa matured into a nation, so too did the internal foreign links weaken in favour of domestic imperatives. The Societies' by-laws dealing with foreigners were scrapped in favour of a common by-law which allowed the admission of foreign members providing they had completed a period of practical experience in the form of articles outside South Africa and passed examinations equivalent to those required by the South African Societies (UG49, 1935: 7). This emphasis upon articled service and examination was to remain a constant and

consistent requirement by the Societies' in following years; it was also a source of much friction.

Although the names of foreign societies were specifically excluded in the common by-laws, it was common knowledge that while the chartered societies in the United Kingdom required their candidates to complete a period of service under articles, other accounting societies there did not and were thus effectively excluded from applying for membership of the South African Societies.

In a draft of the 1924 Bill, the Societies initially included a section which would have preserved the intention of the original by-laws with regard to foreign societies but to the detriment of other societies. This section was later modified in a cumbersome way and placed authority for the admission of suitably qualified members of foreign societies in the hands of the Governor-General, as advised by a provisional, and later a permanent council, both to be established in terms of the Bill (AB, 1924: 18(1)(c)). As the prepared provisional council would have a majority of the Provincial Societies' nominees, it is little wonder that the 1924 Bill raised a chorus of opposition. But the opposition also included the Institute of Chartered Accountants in England and Wales. Their opposition was not related to the by-laws, but resulted from the Bill's proposed award of the designation "Chartered Accountants (South Africa)" to South African accountants (AB, 1924: s29(1)). The Institute was a formal opponent to the Bill before the Select Committee.

It is clear from the above that the four Provincial Societies were moving quickly away from their 1913 position of encouraging overseas chartered accountants to join the new society to give it credence and weight, to one where they pushed to accrue to themselves directly the benefits flowing from the use of the designation "chartered accountant".

COMPARISONS: 1913, 1924 AND 1951

The significant differences between the 1913 and 1924 Bills were the facts that the latter intended to confer upon all accountants registered in terms of the proposed Act the coveted designation "Chartered Accountant (South Africa)" and made provision for

the rights of clerks – including articled clerks – in the by-laws to be framed by the proposed Act.

In common with the 1913 Bill, that of 1924 envisaged the process of initial registration being controlled by a provisional council comprising 14 members. The mechanism of a provisional council had been used in both the Transvaal and Natal when implementing their respective legislative enactments. As with the 1913 proposal, the 1924 Bill provided for this council to be dominated by the four promoting Societies through their power to appoint 12 of the councillors. The remaining two positions would be filled by the Auditor-General of the Union as chair of the council and a nominee of the Minister of the Interior chosen from those practising accountancy but other than members of the promoting Societies.

Although a marginal improvement over the 1913 proposal, it came nowhere near to the final composition of the governing body – the Board – as constituted by the 1951 Act. This 1951 Act also included some sophisticated elements in that six of the Board's 15 members had to be registered as accountants and auditors in terms of the Act. Put another way, the majority of the Board was comprised of people skilled in some field but not having the potentially stultifying uniformity of a professional membership. In addition, the 1951 Act required members to vacate their seats on the Board in a number of instances, primarily:

- where their estates had been sequestrated;
- they had become unsound of mind;
- they had been convicted of an offence and sentenced to imprisonment without the option of a fine; or
- failure to attend three consecutive meetings of the Board without its permission.

All these elements represented a significant improvement over the provisions of the 1913 and 1924 Bills. It would not be an exaggeration to see in these improvements early attempts to enhance independence, reduce conflicts of interest and create a sense of good governance, all critical elements in the profession in 2013.

In the Bills of 1913 and 1924, the proposed provisional councils were charged with the creation of district committees – one in each of the four provinces of the Union. It is important to note, again, that the provincial councils were to prescribe the manner of the permanent council's election, with three members elected respectively from each of the districts of the Transvaal, Natal and the Cape while two would be elected for the district of the Orange Free State. Whereas the provisional council in 1924 would have 14 members, the first permanent council was to consist of 13 members, the nominee of the Minister of the Interior being dropped, presumably having completed the task of monitoring the process and handing over authority from provisional to permanent council. As in the 1913 Bill, the 1924 council could delegate – as allowed by its by-laws – such of its powers as it saw fit. It could not delegate any powers to admit members or amend the membership register (AB, 1924: s18). The Act of 1951 made no provision for district committees, allowing rather the four Provincial Societies to undertake the organisation at this level, thus prefiguring the creation of what is today SAICA – that is: the South African Institute of Chartered Accountants. At the end of 12 months, the provisional council would cease to exist (AB, 1924: s14(2)) making for very tight deadlines in establishing the new Society and completing the registration process.

RULES OF THE GAME, 1924

The process of the Bill through the various parliamentary stages is instructive and needs to be viewed in the context of two critical facts:

- White labours' intense dislike of Smuts and his social policies and the latter's need to call a General Election for June 1924 after the South African Party's loss of the Wakkerstroom by-election in April 1924; and
- the rules and regulations which controlled parliamentary activity.

The South African Society of Accountants (Private) Bill was presented to the House of Assembly on 4 February 1924 and two days later the Speaker of the House presented the report of the Examiners to the effect that the Bill complied with the House's Standing Orders. The Bill was brought up to the House of Assembly on 12 February and was read for the first time. On 18 February, the Speaker brought to the attention of the House that in terms of its Standing Order No. 40, petitions in opposition to the

Private Bill needed to be presented within three days of its first reading (USA, HA, Debates, Vol. 1, 18/2/24: 273), that period ending on Friday 15 February.

He continued that he had discovered two petitions in opposition to the Bill to be presented at the current sitting. Furthermore, he noted that both petitions had been lodged with the Clerk of the House on 15 February – that is: within the stipulated period. He also noted that the first petition had been "irregular" in that only one petitioner had signed it while the second petition had not been signed by any of the petitioners as they were resident in England, but by their parliamentary agent. The Speaker further stated that the first petition had been amended by the omission of the words "and on behalf of his said partners" while, with regard to the second, he stated:

> "basing my opinion on a precedent established in the late Cape House (V and P 1906 pp 179 – 180), I think that the irregularity in the second petition can be cured by the Parliamentary Agents depositing with the Clerk of the House the telegraphic authority for their principles, on whose behalf they signed the petition. I am informed that this telegraphic authority has not been deposited with the Clerk and in the circumstances would recommend that indulgency be granted in both instances" (USA, HA, Debates, Vol. 1, 18/2/1924: 273).

This was agreed and is a clear indication of Parliament's painstaking attention to detail as well as a sense of reasonable compromise so as to get the process moving. In terms of institutional economics, this could be viewed as "change at the margin" (North, 1990: 49). The new Labour members in the House after the General Election of June 1924 challenged the principles embodied in the Bill and in so doing slowed the process and pushed any solution into the future. At this point circumstances did not allow for compromise.

REASONS FOR THE OPPOSITION TO THE BILL

At the first meeting of the Select Committee, the clerk to the committee detailed a further party in opposition to the Bill, this being the London Association of Accountants, Limited, its petition being signed by its President, Fred Maddox. The petitions against the Bill are important documents as they detail the very real concerns

of practitioners to the proposals as underwritten by the Four Societies. They also provide an interpretation of the Bill.

HOOPER'S CONCERNS

The petition of AS Hooper listed a number of concerns, principally with:

(i) the use of the designation CA;
(ii) the Cape and Orange Free State; and
(iii) the by-laws.

Each concern is discussed and analysed in detail:

(i) DESIGNATION

The use of the term "Chartered Accountant" was applied in England and South Africa to members of the Institute of Chartered Accountants in England and Wales, and the Society of Chartered Accountants in Edinburgh, Scotland. Such membership was earned by five years of articles and an admission examination. Thus, the term was "accepted as vouching for qualifications of the highest degree in Accountancy" (SC7, 1924, Appendix B: v).

This was the crux of the matter as the term had a cachet in the international world of British commerce. Hooper believed that if such a term was applied to members of the proposed new Society it would mislead the South African public who could reasonably expect that such persons had the qualifications of, or experience with, the Chartered Societies in the United Kingdom. Much time and effort would be expended in debating this issue both in this Bill and in the lead up to the passage of the Designation Act of 1927 before the phrase "South Africa" was placed after CA. The new Australian Society of Accountants adopted a similar solution in 1928.

The proposed use of the designation "chartered accountant" caused much debate in the Select Committee. To start with, Advocate Mars, for the Institute of Chartered Accountants in England and Wales, pointed out that the proposal contained in Section 29 of the Bill giving registered South African accountants the right to use the designation "Chartered Accountant (South Africa)", had not been the subject of a

public notice. Mars was shown to be correct and the omission needed the specific sanction of the House. Mars believed the Scottish Societies of Chartered Accountants "would be here in opposition today if they had had notice" (SC7, 1924: Q907), (SC7, 1924: Q487). He considered this to be unfortunate as he believed it was "one of the greatest matters of contention in the Bill" (SC7, 1924: Q489), and pointed out that there had been an active campaign in South Africa in support of the designation (SC7, 1924: Q509). Mr Mitchell, a member of the Natal Society, giving evidence at the time, believed that "a large majority" of South African accountants were in favour of the designation (SC7, 1924: Q513; Q558).

Mars continued his questioning of Mitchell and, in the process, the history of the designation was elucidated. The phrase was originally used to describe societies of accountants in the United Kingdom given official recognition in the form of the award of Royal Charters. At the time of the award, "it did not indicate any high standard" (SC7, 1924: Q530), but, as Mars noted "in consequence of the high personal character of the members belonging to [those societies] the word [had] acquired this significance" (SC7, 1924: Q532). Mars summed up by stating that if there was "any magic in the word" (SC7, 1924: Q533) it was attributable to the personal achievements of the societies and their members to whom the phrase applied. The dangers in using it to describe another society of accountants was that the public would "ascribe to that body the personal characteristics of the members of the existing chartered societies" (SC7, 1924: Q534) and would be confused – indeed, it would "almost amount to deception" (SC7, 1924: Q517). South African accountants needed to earn their reputation.

Mitchell pointed out that the addition of "South Africa" would give the phrase sufficient distinction to avoid any confusion. He also stated that there were five or six Canadian societies who used the designation "CA" without the qualification "Canada" (SC7, 1924: Q535). He ascribed this usage to the "authority of their local laws" (SC7, 1924: Q537). The implication was clear – if other members of the Empire could do it, then so could South Africa.

It was clear that in South Africa, as elsewhere within the Empire, "chartered accountant" had become synonymous with "skilled public accountant" and this had

been a powerful motivating factor in its choice (SC7, 1924: Q569–70) and one which, if applied in South Africa, would give its users a definite business advantage. In South Africa, the alternative was "Registered Public Accountant" which had been authorised by the Transvaal Ordinance of 1904 as well as by the Natal Act of 1909 (SC7, 1924: Q493–5). Mitchell's evidence given on 4 March 1924 was that this title had never been popular (SC7, 1924: Q503).

Another concern was the perceived intention of the four Provincial Societies to reserve the title "Statutory Accountant" for the members of the Cape and Orange Free State societies who had joined just prior to the presentation of the Bill. Mr James Douglas, a member and the honorary secretary of the Cape Society of Accountants and Auditors explained that to give such new members "the title of 'Chartered Accountant of South Africa' would be rather lowering the standard, so they put him on a level by himself and say after five years he can get it, sooner if he likes by the examination" (SC7, 1924: Q895). This proposal was not accepted with much enthusiasm and Douglas agreed to leave it "in the hands of the Select Committee" (SC7, 1924: Q903). It got no further.

Not all members of the four Provincial Societies were in favour of the designation "CA(SA)". This was the view of James Pim, an English chartered accountant who had pursued a career in accountancy work in Johannesburg and Kimberley from 1890. He had also been the first President of the Council of the Transvaal Society (SC7, 1924: Q1872). Pim believed that the term "chartered" had a narrow meaning attached to individuals who had "reached a certain standard" and that it would be unfair to "extend that term to persons outside of that class" (SC7, 1924: Q1914–5). He was also of the opinion that "try as you will and do the best you can for your pupils you cannot give them [the clerks] the training they can obtain in the Old Country" (SC7, 1924: Q1920). Here Pim was referring to the fact that in 1924 South Africa's process of industrialisation was nowhere near that of Great Britain and, accordingly, the availability of practical experience and perhaps job opportunities in South Africa were limited. While this was true in 1924, that year also saw the advent of the Pact Government and its policies of industrialisation and job creation for whites.

Pim's facts were supported by details given by him of the numbers of chartered accountants actually practising in the Union. According to information he had, there

were two in Natal, one in the Orange Free State, seven in the Cape and 18 in the Transvaal (SC7, 1924: Q1925–8), a total of 28. Advocate Mars, for the opposition in the form of the Institute of Chartered Accountants in England and Wales, made some observations on these facts:

(a) If the designation CA was "such a business asset", the reasonable expectation would be to see more of them in public practice in the Union (SC7, 1924: Q1926);
(b) Out of a total number in the Union of 554 practising accountants in the four Provincial Societies, only 28 were chartered accountants and British trained (SC7, 1924: Q1929);
(c) With regard to the Incorporated Accountants, there were 67 in the Transvaal, 21 in Natal, three in the Orange Free State and 16 at the Cape. Mars commented further: "So apparently the term "Incorporated" does not seem to have suffered in comparison with the term "Chartered" " (SC7, 1924: Q1933–4); what Mars neglected to add was the inevitable future increase in Chartered Accountants should the Provincial Societies have their way. This is what the "Incorporateds" feared – that is: being superseded by their opponents as accountants.
(d) The result of the award to members of the proposed South African Society of Accountants of the designation "Chartered Accountants (South Africa)", would "instead of raising the 554 to the eminence of the 28, … destroy that eminence, save in respect of the 28 individuals" (SC7, 1924: Q1940). This was an emotive observation, underlining the widespread belief that few accounting qualifications matched the quality of a United Kingdom chartered accountant's training. Perhaps a dip in standards was inevitable as in New Zealand in 1908 and would need to work through the system.

Another answer to Mars' observations could possibly be that South Africa was still emerging from the post-war depression and an agrarian background, and that greater industrialisation and its concomitant need for more accountants, lay in the future.

While there was opposition to the use of the designation "CA", it is equally clear that there was widespread support. Walker, for the promoters of the Bill, pointed out to the Committee that at meetings of the Provincial Societies held throughout South Africa to

discuss the Bill, three of the four Promoting Societies had unanimously agreed that their designation should be "Chartered Accountant" and that the outstanding society – the Society of Accountants and Auditors in the Orange Free State – would soon fall in line (SC7, 1924: Q1212). The belief of many was succinctly put when Mr DM Brown, member for Three Rivers, described the designation as "the hall mark 22. It is the highest title you can get" (SC7, 1924: Q2560). The Select Committee agreed and those in opposition to the title had to be content with the geographically descriptive addition "South Africa". In a display of a growing sense of South African nationalism, Samuel Thompson, a member of the Council of the Transvaal Society of Accountants, put it as follows: "It is only the foreign societies who are opposing and we take no notice of them. It is purely a South African affair and we say they have no right to interfere with our legislation" (SC7, 1924: Q246).

On the last day of the Committee's proceedings it decided that all accountants registered in terms of the proposed Act were to be entitled to use the designation "Chartered Accountant (South Africa)". An attempt by one member of the Committee – Mr Fitchat – to have "South Africa" removed, was defeated by five votes to one (SC7, 1924, Proceedings: xxxi). Shortly thereafter the Select Committee agreed to report the Bill, with amendments, especially to the Preamble, to the House of Assembly.

Previously, on 10 March 1924, in front of the Select Committee, Advocate Mars for the Bill's opponents had put the basics of the matter succinctly when questioning Mr Wood of the Cape Society of Accountants and Auditors. He asked:

> "what you really want in this Act of Parliament is a declaration from Parliament that the South African Society of Accountants shall obtain the same standing and status as the chartered society".

Wood agreed (SC7, 1924: Q1550), and as it turned out in the end, the South African Government was not averse to doing so, but not through the means of a Bill intended to unify, register and regulate the accounting profession. Another piece of legislation was needed for that – the Designation Act of 1927.

What is apparent is that the 1924 Bill had seen a subtle switch in the focus of the Provincial Societies from a single unified accounting society in which they had a significant influence, to a society in which they exercised that influence mainly through the benefits flowing from its establishment as a chartered society.

(ii) THE CAPE AND ORANGE FREE STATE

In terms of the Bill, residents of the Cape Province and Orange Free State not practising as accountants at the time the Bill became an Act, could only be admitted to the new society at the discretion of the majority of the provisional council detailed in the Bill. Hooper objected to the potential for the arbitrary use of such discretion. This issue would remain so long as the Transvaal and Natal Societies could claim establishment by statute, effectively until the 1951 Act.

(iii) BY-LAWS

Members of any society or institute of accountants outside South Africa could only be admitted and registered as accountants with the new South African body 12 months after the commencement of the proposed Act, should the new body's by-laws and regulations allow. The rights of existing and potential members would be at the mercy of such by-laws, the point being that the by-laws would only be formulated after the passage of the Act. The Four Societies would thus be able to neutralise overseas competition, or at least to inconvenience it. This concern was difficult to assuage for a number of reasons, one of which was that if Parliament approved, only it could amend the legislation in a lengthy time-consuming process. Both New Zealand and Australia adopted the "by-laws after enactment" model.

The 1924 Bill's Section 28 authorised the proposed society's council, after election, to frame by-laws – inconsistent with the proposed Act – to cover the examination and admission of people under Sections 18 (defined eligibility) and 19 (set a registration fee of 5 guineas) (SC7, 1924, Proceedings: xxx). The by-laws, of course, covered many other issues and these were detailed in Section 36. One of the main amendments made by the Select Committee in an attempt to defuse concerns that the new society's council would behave in a high handed fashion, was to subject any future change or addition to its by-laws to approval by the Governor-General and publication in the *Union Gazette*

(SC7, 1924, Proceedings: xxxii). By this means, the Committee hoped to restrain any excess or unfairness.

THE LONDON ASSOCIATION'S CONCERNS

The petition of the London Association of Accountants was in much the same vein. It reflected a concern that the four Provincial Societies promoting the Bill did not represent them and many other people who practised accountancy in the Union. In fact, the petition alleged the promoting Societies represented

> "certain bodies of Accountants Overseas, to wit those of the Chartered and Incorporated Accountants who are professional competitors of and hostile towards the London Association whose rapid growth and uniform success they have viewed with the greatest concern" (SC7, 1924, Appendix D: xi).

Given the English Chartered Society's concerns as detailed in Hooper's petition, this conspiracy was unlikely, but it suggests that the professional competition in the United Kingdom had the potential to spill over into South Africa and these petitioners were concerned at the extent of their metropolitan competitor's influence, real or imagined.

What is indisputable are the facts that:

- the four Provincial Societies had British qualified chartered accountants in their ranks, some at senior levels;
- there had been a proliferation in the United Kingdom of accounting societies for some time; and
- in South Africa the advent of the Pact Government in mid-1924 signalled economic recovery, pro-White legislation and opportunity, an attractive mix for many, including those who offered accounting and auditing services.

But as suggested earlier, the links between the four Provincial Societies and the United Kingdom chartered societies were probably tenuous, the real links being between individuals of the two groupings. It is also possible that the Bill's proposed designation of "Chartered Accountant (South Africa)" was intended partly to prevent any formal

relationship with United Kingdom societies simply on the basis that their designation of "Chartered Accountant" would enhance the proposed new Society's standing in the public eye. The South African designation would do equally well and would fit in with a growing national awareness encapsulated in the slogan, "South Africa First".

The London Association was also concerned that if the Bill passed into law, only those registered with the proposed new Society would be able to practise as public accountants and auditors which law, if contravened, could mean fines and imprisonment. The Association, in its petition, was concerned with several other specific aspects of the Bill. These concerns were because

- of the pre-eminence accorded in the Bill to the four Provincial Societies, who could influence admission to the register, the composition of the provisional council and the district committees, the appointment of office bearers and, finally, the permanent council;
- qualified accountants not on the new Society's first register provided by the provisional council would have no say in the election of the district committees and thus the first permanent council.
- the Association's members would only qualify for membership of the new Society if they were practising as public accountants in the Cape or Orange Free State. The reason the Cape and Orange Free State could offer an avenue of entry was twofold, firstly their accountants were members of the group promoting the Bill, and secondly membership of their respective societies was voluntary and "open". The Natal and Transvaal Societies were "closed" in the sense that they had been legislated into existence by their previous respective colonial administrations and admission to them was compulsory to all practising in their provinces and this was strictly regulated. Those accountants in these two provinces not registered in terms of existing provincial legislation were not to be given an exemption in the proposed national legislation. The reason for this is that any exemption was perceived as unfair to the existing membership in Natal and the Transvaal who had gained admission through service and examination.

The Bill also stipulated that unless they could prove to the new Council they were members of a society or institute of accountants whose membership was deemed sufficient in terms of the new Society's by-laws and regulations, 12 months after the promulgation of the Act, no one would be allowed to register as a public accountant without meeting the Act's requirements. In essence, this objection was the same as that included in the submissions of Hooper and the Institute of Chartered Accountants in England and Wales (detailed earlier). The concern was that ordinary accountants could be denied membership to the new Society and thus prevented from earning a living in the profession of accountancy.

There was also a concern that the Bill would force South Africans to study to be accountants only through the promoting Societies or with certain overseas bodies.

The fundamental fear exposed in the Association's petition was that the Bill would create a monopoly of accounting power in the hands of the Four Societies and their allies (SC7, 1924, Appendix D: xii).

THE LONDON ASSOCIATION: MORE CONCERNS

Some of the interesting aspects of the 1924 Bill lie in its similarities with, and its differences from, the 1913 Bill. When questioning Samuel Thompson, member of the Council of the Transvaal Society of Accountants and a British CA, Advocate Davies for the London Association put it to him that the only difference was that the 1913 Bill had included a list of societies approved by the four Provincial Societies. Thompson agreed. This inclusion had provoked a storm of protest from those societies excluded from the list. While the 1924 Bill contained no such list, preferring to allow the proposed council to make its own choices (SC7, 1924: Q227–9), it is clear that there were antagonistic feelings between the promoters of the Bill and the London Association of Accountants whom Davis represented.

This "hereditary feud" (SC7, 1924: Q1251) had its roots in the different approaches to staff training with regard to examination and experience that the promoters and the London Association adopted. This was apparent in the evidence given to the Committee on 3 March 1924 by Mr TC Mitchell, a member of the Natal Society of Accountants. When questioning Mitchell, Advocate Davis stated that salaries paid to articled clerks

were so small that candidates admitted to articles could very often not afford to spend six years in the office of a practising accountant. Mitchell was firm in his belief that without this service such individuals "would not be getting the necessary experience" (SC7, 1924: Q419). When Davis countered that the London Association believed experience could be obtained in ways other than at an accountant's office, Mitchell replied simply: "That is our view" (SC7, 1924: Q420). Davis' response to this was: "And consequently may we take it that so long as you have anything to do with it, if the London Association persists in that view, then you will not recognise the London Association as an approved body" (SC7, 1924: Q422).

Mitchell demurred. But when Davis later interviewed Mr FR Maddox, the President of the London Association, Maddox quoted Samuel Thompson's earlier response to a question as to why the London Association had not been put on the Transvaal's list of approved societies, as being:

> "The council considered that the standard set for admission to that society was not equal to ours. Those who applied for admission were not equal in the ordinary, to those who came into our society" (SC7, 1924: Q2362).

Maddox stated that this belief had never been communicated to the Association.

It is clear from the Minutes of the Committee's Proceedings that the London Association's standards at one time had been questionable and possibly remained so in 1924. Maddox agreed that, before 1919, the Association had admitted to membership without examination "people of good standing in the profession", but pointed out that many societies had done so originally (SC7, 1924: Q2409a). He also pointed out that entry was now examination-based, but was evasive when Walker, for the promoters, asked whether the examinations had been "stiffened up" (SC7, 1924: Q2406–8).

The following paragraph details membership numbers of various accounting bodies practising in South Africa in the early 1920s. Of interest is the fact that the British-trained accountants exerted an influence beyond their numbers – this despite the fact that not all were chartered. The reason is the continuing imperial connection. The British may have withdrawn their troops but they still exerted considerable influence

through their investment in the economy, particularly mining and banking. In part, this influence was exhibited and implemented through trained expatriates working in the economy. This influence was eroded: politically, by the Balfour Declaration of 1926 which recognised the autonomy of the Dominions; and, economically, through the establishment of the small but financially powerful Sanlam group by WA Hofmeyr (O'Meara, 1983: 31). Another issue was the export of agricultural goods to imperial Britain at prices over which South African producers had no control. This made them unhappy and translated into anti-imperialism at a grass roots level and a demand for higher subsidies which, ironically, needed "some form of collaboration with mining capital" (O'Meara 1983, 29–30). Change was in the air.

MEMBERSHIP TOTALS COMPARED

The membership worldwide of the London Association in 1919 was 1 800. By 1924, it had grown by 712 to 2 512 as a result of a policy to recruit those who had not completed articles but who held responsible accountancy positions in commercial firms and municipalities (SC7, 1924: Q2370; Q2378). Of this world total of 2 512 members, 59 were in the Union with 17 in the Cape, 35 in the Transvaal, six in Natal and one in the Orange Free State (SC7, 1924: Q2201–2). As a comparative in this period, the Institute of Chartered Accountants in England and Wales had 6 000 members worldwide (SC7, 1924: Q2384), the Society of Incorporated Accountants (in England) had 3 500 members (SC7, 1924: Q2385). In South Africa, at that time, there were in the four Provincial Societies 554 practising members, 28 being chartered accountants from one or other of the United Kingdom Chartered Societies, 107 were originally Incorporated accountants, and 419 had South African qualifications (SC7, 1924: Q1430–3). While not specifically stated, it is likely that some of the 28 chartered accountants had been early admissions to the Four Societies, particularly in Natal and the Transvaal and had been admitted without having passed an examination. Certainly, Walker (SC7, 1924: Q1434) believed that there were chartered and incorporated accountants in South Africa who had never sat for an examination but who were in public practice nevertheless.

It would appear that in the eyes of their South African counterparts, a significant weakness in the London Association's policy was not insisting upon practical experience in the form of articles as a prerequisite for membership. But from Maddox's

testimony given to the Select Committee on 14 March there was also "a state of hostility" between the London Association and at least some of the United Kingdom chartered societies, "mostly in regard to private Bills and measures before Parliament at Home; they tried to get the words 'chartered' and 'incorporated' inserted into Bills to the exclusion of any other body of accountants" (SC7, 1924: Q2386).

Whatever the issues, the London Association did not appear in Section 23(3)(b) of the Public Accountants and Auditors Act of 1951. This particular section allowed the members of certain societies to apply for registration in South Africa. Of the five listed, three were of South African origin and only two from overseas – the Society of Incorporated Accountants and Auditors and the Association of Certified and Corporate Accountants. In keeping with the policy of "South Africa First", the exemption applied only to members of the South African branches of these overseas organisations.

The London Association contended that the standard of their qualifying examination was equal to those of the promoting Societies and that there was no reason for excluding their members from the ambit of the Bill or putting the Association's members in a lesser position than those of the promoting Societies. The petition of the London Association concluded with the statement that the preamble to the Bill did not "adequately set forth the objects nor cover the scope of the present bill" (SC7, 1924, Appendix D: xv) – the technical reason which sunk the first Private Bill in 1913. The Select Committee took this latter criticism seriously.

THE BILL BEFORE THE SELECT COMMITTEE

In accordance with Parliament's Standing Orders, the House on 19 February referred the Bill to a Select Committee on a seconded motion from RW Close, KC, the member for Rondebosch.

In 1924, Close was a member of the SA Party and probably a "Smuts man". To this Select Committee were also referred two petitions in opposition – one from AS Hooper of Cape Town, a partner in the firm of Deloitte, Plender, Griffiths, Annan and Co., Chartered Accountants, and an associate of the Institute of Chartered Accountants in England and Wales and the second from Fairbridge, Arderne and Lawton, Parliamentary Agents, on behalf of the Institute of Chartered Accountants in England

and Wales. These two petitions had similarities in content and a single counsel appeared before the Committee on their behalf, this being Advocate Mars. The Select Committee met from 28 February to 31 March 1924 and its membership – both before and after the General Election of June 1924 – is shown in Table 8.2 in the next chapter. The list of witnesses interviewed by the Committee is shown in Table 7.3.

TABLE 7.3

SELECT COMMITTEE ON THE SOUTH AFRICAN SOCIETY OF ACCOUNTANTS (PRIVATE) BILL: 1924,

LIST OF WITNESSES

1. Brown, DM, OBE, MLA	Certified Accountant, Cape Province
2. Brunt, JPJ	Accounting Officer, Assistant Provincial Secretary and Controller of Educational Finance of the Cape Province and a member of the Public Services Association
3. Douglas, J	Member of the Cape Society of Accountants and honorary secretary, and formerly a member of its Council
4. Foster, G	Member of the Transvaal Society of Accountants and its "younger school of accountants"
5. Goch, LC	Registered Public Accountant in the Transvaal, passing the final examination in 1907
6. Hooper, AS	Member of the Institute of Chartered Accountants of England and Wales
7. Latham, JC	Secretary to the London Association of Accountants
8. Maddox, FR	President of the London Association of Accountants and a member of the London Chamber of Commerce
9. Martin, CB	City Treasurer, Cape Town Corporation and a member of the Society of Incorporated Accountants
10. McConnell, FC	Associate of the Cape Society of Accountants and an Incorporated Accountant

11. Mitchell, TC	Member of the Natal Society of Accountants
12. Pim, JH	A member of the Institute of Chartered Accountants of England and Wales
13. Roos, J de V	The Controller and Auditor-General of the Union of South Africa
14. Stuttaford, R	The Chairman and General Manager of Stuttaford and Company Ltd, and a member of the Cape Town Chamber of Commerce
15. Thompson, S	Member of the Transvaal Society of Accountants and its Council
16. Warner, GW	A member of the Institute of Chartered Accountants of England, the Incorporated Society of Accountants and Auditors of England, and the Council of the Society of Accountants and Auditors of the Orange Free State
17. Wood, NS	A member of the Cape Society of Accountants and Auditors

Source: SC7, 1924: Q1.

THE SELECT COMMITTEE BEGINS ITS INVESTIGATION: RULES OF THE GAME: THE ISSUE OF THE 1924 PREAMBLE

The London Association's legal counsel, Advocate Davis, put to the Committee a schedule detailing omissions in the Preamble in its original form. The Committee deliberated and instructed its chairman, Bissett, the member for South Peninsula, to make a special report to the House of Assembly with a request that the original Preamble be replaced with the more acceptable one provided by the Committee. The reason given for the substitution was that "certain Clauses of the Bill, though covered by the published notices of the objects of the Bill, [were] not covered by the Preamble" (SC7, 1924, Report: ix), possibly the result of poor draughtsmanship.

The "certain Clauses", were 9, 18 and 27, and respectively dealt with the powers of a proposed provisional council to admit members; the scope of by-laws yet to be established regarding admission of members of foreign societies and, finally, the reservation of the title "Chartered Accountant (South Africa)" to members of the

proposed new society. This final provision, its opponents believed, misled the public into believing bearers of the appellation had qualifications and experience which they did not possess. The designation would create considerable debate and later form the subject of a new bill – the Chartered Accountants' Designation (Private) Bill of 1927. The changes needed the specific approval of the House (SC7, 1924, Appendix C: vii) as a question of parliamentary procedure was involved.

In spite of the opposition of Hooper and the Institute of Chartered Accountants in England and Wales, Bisset reported the problems with the Preamble to the House on 28 February and obtained its approval to continue. Why the London Association did not join the other opponents in protesting the issue is not clear. Perhaps its representatives realised there was a predisposition on the part of the House not to put unnecessary barriers to the process running its course. The latitude that the House was prepared to allow in 1924 can perhaps, in part, be ascribed to a desire by the ruling party to see the profession regulated by a single nation-wide statute. This was certainly in line with the idea of "South Africa First".

The Committee then commenced its investigation and the procedural jockeying began. Mr Walker, of the firm Walker, Jacobson and le Roux, for the promoters of the Bill, objected to the London Association being heard in any way other than upon the distinct grounds set out in its petition. Davies, on behalf of the petitioners in opposition, denied that he had departed from the petition and while the Chair, Bisset, noted that any such perceived departure would enable Walker "to raise an objection to the Committee" (SC7, 1924, Proceedings: xvi), Walker did not do so, the point having been made that the opposition could face a tough battle.

A succession of witnesses (see Table 7.3) for and against the Bill were examined by the Committee until on 27 March 1924 it resolved that the Chair of the Committee report to the House and request that it be permitted to amend again the Preamble to the Bill in a number of ways detailed in the Committee's Report "in order to restrict the scope of the Bill" (SC7, 1924, Proceedings: xxv).

The second event occasioning a request to the House of Assembly for approval to amend the Preamble was as a result of its use of language. Towards the end of the

Select Committee's investigation, it became apparent that certain words and phrases used in the Preamble needed to be changed or omitted to align it with the restrictions placed in Committee upon the scope by the Bill. Words like "unqualified" were changed to "unregistered" while the phrase "practise or be admitted to practise" became "hold themselves out" and "to provide for a right of appeal in the case of persons aggrieved by a decision of the Council" was inserted (SC7, 1924, Report: ix–x). The changes were approved by the House on 27 March.

When this permission was received on the following day, the Chair, Bisset, proposed "That the Preamble stand part of the Bill" (SC7, 1924, Proceedings: xxvi). The Committee agreed, and with the Preamble "proved", the way was open for the Committee to amend the Bill as it saw fit.

This process began on 28 March and ended on 31 March 1924. Members of the Select Committee debated a large number of issues in great detail, paying careful attention to the meaning of words in their context. Each contentious issue was considered and difficulties were resolved by majority vote. Finally, the Committee resolved "That the Chairman report the Bill with amendments and specially the amendments in the Preamble" (SC7, 1924, Proceedings: xxxiii).

An interchange between the Speaker of the House and a Mr Alexander, representing Cape Town Castle, underlines the necessary attention to detail in the process and its attendant potential for confusion. While considering the Select Committee's request to the House to approve changes in the Preamble, Alexander made the comment that the House needed an opportunity of comparing the changes with the Bill. "There are very important alterations to it and it should be laid on the table". Alexander had confused changes in the Preamble to mean changes to the Bill as well. The Speaker put him right: "The Bill will come back to the House. It is still in Select Committee which will come back to the House in its amended form" (USA, HA, Debates, Vol. 1, 27/3/1924: 1132).

The Speaker of the House accepted the Select Committee's report in the House on 1 April and set a day for its second reading – 4 April (USA, HA, Debates, Vol. 1, 1/4/1924: 1235). Again the concern not to hinder the process is evident and is indicated by the fact that, whereas the 1913 Bill was lost in Select Committee as a result of

technical inadequacies in its Preamble, the Preamble in the 1924 Bill survived its inadequacies on two separate occasions.

PROPOSALS FOR ADMISSION: THE FIVE CATEGORIES

In comparison to the Australian model, the South African Society of Accountants (Private) Bill of 1924, as amended by the Select Committee and sent to the House of Assembly, proposed five categories for admission (AB, 1924: s9).

The first category covered all persons whose names, at the commencement of the Act, were on the registers of the four promoting Societies, these being the Transvaal Society of Accountants, the Natal Society of Accountants, the Cape Society of Accountants and Auditors and the Society of Accountants and Auditors in the Orange Free State. This specific inclusion was not to be found in the 1951 Act, despite the fact that the definition accorded to "society" in that Act meant one of these four Provincial Societies. However, a careful scrutiny of the 1951 admission requirements makes it clear that members of these Societies would gain admission without difficulty.

The second category comprised people, who, at the commencement of the proposed 1924 Act or within nine months of this date, qualified for admission to, or membership of, one of the Four Societies detailed in category one.

The third category allowed entrance to all who, on 31 March 1924, were *bona fide* practising as public accountants in the Cape or Orange Free State. The inclusion of a specific date before the actual date of commencement of the Act was clearly to prevent a last minute rush of people purporting to be public accountants in practice. While the Bill gave no details as to how this would be implemented, it is possible that reference would be made to the licences issued to those who wished to practice accounting. A licence was a common requirement to practise in the Cape and Orange Free State (SC7, 1924: Q206–9).

The next category extended admission to all resident accountants in the Cape Province or the Orange Free State who, in the opinion of the majority of the provisional council were "fit and proper persons to be admitted to the register by virtue of their knowledge and past experience" (AB, 1924: s9(d)). This provision did not apply to Natal or the

Transvaal for the simple reason that both had had accounting societies constituted by law in existence for some time. It was a strong conviction of these societies that no similar concession should be made in their provinces where individuals could only legally practice publically as accountants if they were members of the Provincial Societies.

The final category for admission attempted to ameliorate the previous one and granted a concession to those in the Transvaal and Natal if they could show they had been *bona fide* practising as public accountants in either province at the time the provinces opened their registers for admission in terms of either the Transvaal Ordinance of 1904 or the Natal Act of 1909 but had failed to register as a result of "sickness, absence or other sufficient cause" (AB, 1924: s9(e)). But it was unlikely that there were many accountants to whom this would apply. In terms of Section 10, at the end of a set 12-month period the membership registers of the Natal and Transvaal Societies would "cease to exist" and anyone not registered in the South African Society of Accountants in terms of Section 18 of the Bill could not "hold themselves out as accountants". This was also reinforced by the strictures of Section 4 of the Bill which, however, made the point that those employed exclusively on a salary on writing up accounts for an employer, could describe themselves as accountants.

RULES OF THE GAME: CHANGES MADE TO THE BILL BY THE SELECT COMMITTEE – PUBLIC SERVANTS

One of the biggest changes made by the Committee was to insert a new Section 19 after Section 18 in response to the considerable pressure exerted by the Public Service for its accountants to be included within the ambit of the Bill. The essence of the addition was to allow Public Servants of at least the rank of a second grade clerk in the Union Public Service and with a minimum service of 10 years in its accounting or auditing functions, to complete a continuous 18-month clerkship with a practising member of the new and unified Society. Thereafter, upon complying with Section 18(1)(a) and (b) of the Bill as to character and completion of the appropriate examination, the successful candidate could pay the registration fee, and then register as a qualified member of the Society. This opening was also available on similar conditions to municipal servants or those employed in corporations, companies or mercantile businesses. Common to all was the *caveat* that persons covered by this section could only sit for the final examination

during or after the 18-month service (SC7, 1924, Proceedings: xxviii-xxix). The change did not satisfy the Public Servants and became the source of much acrimonious debate in the House after the Pact's victory in the 1924 General Election.

The sense of entitlement felt by the Public Servants incensed (unofficially) the Four Societies. A telegram sent on 15 March 1924 by the Transvaal Society of Accountants to Mr Douglas, Secretary to the Cape Society, gives vent to this frustration. It read (in abbreviated telegram style):

> "Bill intended for registration practising accountants and those who have qualified as such by training and examination and not meant to grant status to civil servants or municipal audit clerks or a reserve for these persons on which they can fall back on retirement. Stop. Bill not intended for them. Stop. Rather than open door again to such even for nine months, Council no hesitation definitely withdrawing from Bill. Council refuse agree any alteration clause eighteen no greater justification five years than fifty. In order however meet Committee views Council reluctantly agree modification original clause nine … This is irreducible minimum if not acceptable will withdraw from Bill" (SAAHC, TSA, Minutes 15 March 1924: 155).

Despite this hardline attitude, the Public Servants remained persistent.

At this point, it is appropriate to consider the South African Public Service. At Union in 1910, all public officials in the Cape, Natal, Transvaal and Orange Free State, had been put under the authority of the Governor-General, as were the corresponding administrative powers, authorities and functions. They were used by the Governor-General to place supreme control in the hands of the first elected Parliament with the first Ministry responsible to it.

The new South African Public Service was modelled along the lines of the British Civil Service, with entry by examination. A Public Service Commission, supposedly free of political interference, was to regulate conditions of service, rates of pay, criteria for promotion etc. But whereas the British Civil Service was run along professional lines after a thorough review and adoption of the recommendations for improvement

contained in the Northcote-Trevelyan Report of 1854 (http://www.politicsweb.co.za [accessed 27/9/2013]), the South African Public Service gained a reputation for being a source of political patronage. As Feinstein (2005: 86) notes, one of the first acts of the Pact Government in 1925 was to retrench hundreds of Blacks employed on the railways and harbours, and to replace them with mainly Afrikaans-speaking Whites. This observation is reinforced by O'Meara, who states that much was done by the Pact

> "to foster the particular economic interests of the Afrikaans-speaking petty bourgeoisie – equal language rights, as a result of the Official Languages of the Union Act, 1925 and the South Africa Act, 1909, Amendment Act, 1925, compulsory bilingualism in the Civil Service, the appointment of Afrikaner intellectuals to senior Civil Service positions [and] their large-scale employment in senior and middle-management … of state-run industries" (O'Meara, 1983: 56).

But perhaps the most damning criticism comes from Nathan in his 1919 book entitled *The South African Commonwealth*. He wrote: "Admission into the Public Service is comparatively easy. There is an entrance examination, but it cannot be said that its requirements are severe or that a high standard of attainment is expected" (Nathan, 1919: 151). The Public Service was thus seriously flawed.

ADMISSION TO THE NEW SOCIETY: ARTICLES OF CLERKSHIP

If the issue of the designation in South Africa was problematic, the issue of who was to be admitted to the proposed new Society was more so. Matters were complicated further by the insistence of the Four Provincial Societies that articles of clerkship were a prerequisite for membership. By articles, they meant a period of service – usually five years – with a member of one of the Four Societies who was in public practice. In lieu of formal articles, the Societies were prepared to admit to an examination anyone who "had been in an accountant's office for six and a half years" (SC7, 1924: Q37). Upon passing the examination, the successful candidate would be admitted to the new Society as a member. The common element of the two situations was a period of practical experience in a practising accountant's office.

In 1913 in South Africa, the issue of articles had not been of too great a significance. The 1913 Private Bill intended the issue to be more fully dealt with in by-laws to be framed by the first council and Section 33(i) (AB, 1913) sketched briefly an intention to regulate "the service under articles of clerks of members of the Society and the forfeiture of such articles for misconduct or other sufficient cause". The 1951 Act dealt with the issue of articles in detail in the body of the Act. When asked in February 1913 by the Chair of the Select Committee into the Private Bill of 1913 as to whether the Transvaal Society compelled "articles to an accountant", Samuel Thompson, an English chartered accountant and a member of the Transvaal Society replied – as quoted earlier but more fully here:

> "No. They are optional. The Council have arrived at the conclusion that the time is not ripe for them. There are comparatively few offices where young men can get training in the business. There may be a chance for articles when the country gets more settled in years to come. You may be able to have them in the next generation" (SC3, 1913: Q1893).

He added that in his estimation "73 or 75 per cent of those who [had] passed the [final] examination [had] not had experience in an accountant's office" (SC3, 1913: Q1894). Thompson spoke with knowledge – he had been in practice as an accountant in the Transvaal since 1880, twice President of the Transvaal Society of Accountants and a member of its Provisional Council which had registered those entitled to come into the Society in the first place under the Ordinance of 1904 (SC3, 1913: Q1546–8).

By 1924, things were changing. The Union was "growing up", business was expanding and accounting practices were becoming more sophisticated. The 1924 Bill followed that of 1913 in its intention to leave the detail of articles of clerkship to the by-laws which were still to be framed by the first council, and satisfied itself with a general statement in Section 36(j) of the Bill of the intention to regulate "the service under articles to members of the Society and the forfeiture of such articles for misconduct or other sufficient cause" (AB, 1924). The wording used was exactly similar to that of the 1913 Bill. Of some interest, too, is the fact that the objects listed in both Bills were almost exactly the same, and contained some noble sentiments, such as the encouragement of the study of accountancy by members and clerks alike, the formation

and maintenance of libraries for use by members and the promotion of legislation deemed to be of advantage to the new Society (AB, 1913: s3; AB, 1924: s3). Clearly by these means a competent profession was to be developed.

While before the Select Committee on the 1924 Bill, Samuel Thompson had the question put to him by Advocate Davis for the opponents as to whether he still believed his 1913 comment that South Africa "was not yet ripe for articles" (SC7, 1924: Q268). Thompson's answer contained two elements – firstly, that articles were not necessary if an individual had served "six and a half years with a practising accountant" but that the chartered societies in the United Kingdom insisted upon a formal articled period of five years. And secondly, he opined: "By and by, as the conditions improve and the profession goes ahead, we shall be able to bring up our standard to that of the chartered societies, where they insist upon it" (SC7, 1924: Q270). Thompson believed that it was "only possible to get the requisite training for an accountant in an accountant's office". He continued by stating that he laid more stress upon practical training than upon examination, that the specialised training needed was not available in local commercial houses nor the offices of large corporations where the accounting employed was of a repetitive nature.

One of the reasons for his stance was Thompson's belief that in return for privileges under the Bill, there were obligations for the promoting Societies, one of them being to ensure that professional accountants were qualified to do the work required of them. This, he believed, could be achieved by insisting on examinations and training. Thompson admitted that, in the beginning, the accounting societies had been obliged to take on men with little training and qualification but pointed out that time usually solved the problem and that now it was possible to guarantee "that they are qualified. We wish to lay the foundation for the future" (SC7, 1924: Q276).

Thompson's opinions were largely supported by the next witness before the Select Committee, Thomas Mitchell, a member of the Natal Society of Accountants, who pointed out that experience in an accountant's office was "now essential" (SC7, 1924: Q411). While probably a minority opinion, not all accountants believed in the fact that only training in an accountant's office was appropriate. Before the Committee on 7 March 1924, Louis Goch, a registered accountant in the Transvaal, believed that

entrance to the proposed new society should be reasonably wide and that experience, other than in an accountant's office, should be recognised as well (SC7, 1924: Q1387).

Of interest at this point is Mitchell's comment to the Committee on 3 March 1924 of the sympathetic stance taken when the Natal Act came into existence. Mitchell stated "we did not keep anyone out that we could fairly admit" (SC7, 1924: Q322).

However, the promoters of the Bill believed the issue of experience was one which they could not afford to back down from and that the compromise embodied in the new Section 19 of the Bill was as far as they could go. This section allowed individuals the opportunity to complete a truncated period of 18 months' continuous service in the office of a practising member of the Society in lieu of articles, or a period of six-and-a-half years of non-articled service. While the promoters may have been satisfied with the compromise, many others, both in Parliament and out, disagreed.

In obeying the Order of the House to consider the Bill, the Select Committee had sat for 11 days taking evidence and thereafter six days deliberating the detail of the Bill. In all, the process had taken six weeks – from 19 February to 31 March 1924. The abiding impression given by this sustained effort is that the parliamentarians involved in the Select Committee saw a need for South African accountants to be registered and regulated by a central body for the ultimate good of South Africa as an emerging nation, and for its economic development.

CONCLUSION

The second reading of the Bill did not happen as planned in April 1924. In that month, the SAP's failure in the Wakkerstroom by-election persuaded Smuts to call an early General Election in June. Parliament was prorogued.

The promoters of the Bill had every reason at that point in time to believe that the Bill would be passed into law. The arguments of the opponents to the Bill seemingly had been neutralised. The London Association, in particular, had fared badly in dealing with the question of articles. The concerns of the Chartered Accountants in England about designation had been assuaged by the addition of "South Africa" to the South African designation. In addition, the promoters had introduced Section 18 to allow less

qualified civil and municipal servants the opportunity to qualify and become members of the new society. The question of by-laws had been deferred to consideration by the first council when appointed.

When Parliament resumed in mid-1924, the promoters of the Bill were alarmed to discover the fact that the new Labour members of Parliament had decided to target perceived inequalities in the Accountants Bill.

CHAPTER 8: THE CONCLUSION TO THE 1924 BILL AND THE AUSTRALIAN EXPERIENCE

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    - Suspension at the end of the Session: September 1924
    - Rules of Order – Again
    - The Bill Brought Forward: March 1925
    - The House-in-Committee: 13 March 1925
    - More Distractions: Amendments not on the Order Paper
    - Motion to Postpone the Bill: the Issue of the Missing Amendments
    - More Political Undercurrents
    - Repeat Issues
        (i) Natal
        (ii) The Public Servants
        (iii) Public Servants – Again
    - The House-in-Committee: 24 April 1925
        - Table 8.3: Analysis of Major Labour Participants in House-in-Committee Debates on The Accountants Bill: 8 August 1924, 2 September 1924, 13 March 1925, 24 April 1925, 9 June 1925

    - Labour Rampant in Committee
    - A Circular Debate
    - Foreign Societies – Again
    - Rayburn to the Fore
    - Waterston and Hay
    - The Bill in Trouble – Again
    - Swart's Motion
    - A Government Bill?
    - Conclusion
- The Australian Experience
    - Introduction
    - Early Days
    - Lessons
    - The Sydney Institute
    - The First Attempts at Unification
    - Chasing the Charter
    - Compromise
    - The Australian Charter of 1928
        - Initial Membership and Articles
        - The Council of the Chartered Institute
        - The Fundamental Rules and the By-Laws
        - Associates and Fellows
- Conclusion

CHAPTER 8: THE CONCLUSION TO THE 1924 BILL AND THE AUSTRALIAN EXPERIENCE

INTRODUCTION

This chapter deals with two main topics. The first is the slow demise of the second Accountants Bill from July 1924 through to June 1925. The Accountants Bill falls logically into two parts – the euphoria following the Bill's successful passage through the Select Committee followed by defeat at the hands of the Labourites in the House.

The second main topic in the chapter details the Australian experience in achieving a unified Accounting Profession and explains its success. The acquisition of the Australian Charter is almost a picture perfect process and in strong contrast to the muddled and often intractable South African move towards unification.

THE DEMISE OF THE SECOND ACCOUNTANTS BILL

AFTER THE 1924 GENERAL ELECTION: CLOSE BEFORE THE HOUSE

About three months after Easter in 1924, on the 29 July 1924, the South African Society of Accountants (Private) Bill resurfaced in the House of the new Parliament where it was introduced by RW Close, KC, returned member for Rondebosch. Close was the same individual who, in 1913, had appeared as an advocate before the Select Committee into the Accountants' Registration (Private) Bill on behalf of its promoters. He was thus well versed in the matter and a natural replacement for Bisset who had retired in the period after the General Election. In fact, by August 1924 only three of the original seven members of the Select Committee appointed in February 1924 remained in Parliament; one of them was Close, the other two being Swart and Christie (USA, HA, Debates, Vol. 2, 1/8/1924: 147). Close was SA Party in affiliation, Swart was the National Party representative for Ladybrand and Christie was the Labour member for Langlaagte.

TABLE 8.1

THE 1924 GENERAL ELECTION

Party	Seats	Seats %	Votes	Votes %	Leader
National Party	63	46.67	111 483	35.25	JBM Hertzog
South African Party	53	39.26	148 769	47.04	Jan Smuts
Labour Party	18	13.33	45 380	14.35	FHP Creswell
Independent	1	0.74	10 610	3.36	n/a
TOTAL:	135				

Source: *South Africa 1982: Official Yearbook of the Republic of South Africa*: 129, 174, 176.

In terms of votes cast, the South African Party polled 47% compared to the Nationalists 36%. This difference was because most of the SAP's support came from the Cape, with its numerically greater constituencies, and from urban constituencies which had been increased by as much as 10% in the 1923 delimitation (Davenport and Saunders, 2000: 298).

TABLE 8.2

SELECT COMMITTEE APPOINTED BY THE HOUSE: 21 FEBRUARY 1924

ANALYSIS BEFORE AND AFTER THE GENERAL ELECTION OF JUNE 1924

Name	Party and Constituency	Returned after 1924 General Election	Replaced by	Party and Constituency
Bisset, M (Chair)	SAP, South Peninsula	N	Chaplin, Sir F	SAP, South Peninsula

Close, R, KC (later replaced by	SAP, Rondebosch	Y	-	SAP, Rondebosh
Mackeurtan, H, KC)	SAP, Durban – Umbilo	N	Rayburn, G	Labour, Durban-Umbilo
Enslin, JM	NP, Graaff-Reinet	N	Bremer, Dr K	NP, Graaf-Reinet
Saunders, E	SAP, Natal-Coast	N	Arnott, Brig. Gen. W	SAP, Natal-Coast
Christie, J	Labour, Langlaagte	Y	-	Labour, Langlaagte
Greenacre, W, OBE (later replaced by	SAP, Durban-Point	N	Miller, Maj. A	SAP, Durban-Point
Fitchat, H)	SAP, Albany	N	Struben, RH, OBE	SAP, Albany
Swart, The Hon CR	NP, Ladybrand	Y	-	NP, Ladybrand

Source: Union of South Africa, Debates of the House of Assembly, 4th Session, 4th Parliament (25 January – 10 April 1924, Vol. 1), and Parliamentary Register, 1910–61.

Before General Election:				After General Election:	
SAP	6			SAP	5
NP	2			NP	2
Labour	1			Labour	2
	9	Y	3		9
		N	6		
			9		

The reasons for the changes are not difficult to find. An unexpected defeat in the Wakkerstroom by-election had caused Smuts to dissolve Parliament and call a General Election for June 1924. Smuts had discerned in the Wakkerstroom loss an indication of declining popular support for the South African Party. In the event, the SAP forfeited its parliamentary majority and was faced off by Hertzog's Pact of Afrikaner Nationalist and urban Labour Parties. While the Nationalists did not have an outright majority (see Table 8.1), it was clear that their partner – Labour – had not forgotten 1922 and could be expected to give the South African Party little latitude in Parliament, although Yudelman (1983: 217) suggests 1922 was not as important a fact in Smuts' defeat as imagined. There was little change with regard to the political composition of the Select Committee; but of a total of nine members, five represented the SAP, two the NP and two the Labour Party. The SAP, while losing one member's seat to the Labour Party, still had five seats with a majority of one. However, what is obvious is the solid middle- to upper-middle-class backgrounds of many of the Committee members. This is evidenced by the detail available; for example, Close and Mackeurtan were King's Counsel; Arnott and Miller retained their military ranks of Brigadier-General and Major respectively; Swart was a judge and Struben and Greenacre had been honoured with the title, "Officer of the British Empire" – OBE.

Some detail of the Bill's limited passage through the House of Assembly is needed as the process reveals much in the way of parliamentary procedure as well as a move away from the spirit of compromise to a fractiousness which bogged the Bill down and eventually made it unworkable.

The fluid and sometimes apparently directionless nature of the debate with its interjections and its changes in pace make a narrative approach the best way to deal with the balance of the Bill's progress in the House. In this way, the reader will understand the lack of any real progress, and instead comprehend the growth of uncertainty and the way the Bill floundered. It will also indicate how the rules of the game did not always favour the Bill's promoters, as other members of the House invoked them to support their assessments of the Bill's progress or lack of it and thereby attempted to manipulate its progress. A speedy resolution of the Bill was in the interest of the promoters, an extension of the process would favour its opponents and the growth of extra-parliamentary opposition.

In his introduction of the Bill to the House for a second reading, Close made some important points as to why the Bill, in the new political dispensation, should be resumed where it had been left at the end of the previous session:

(i) The Bill had been introduced as a private measure, but was of "considerable public importance" (USA, HA, Debates, Vol. 2, 29/7/24: 35) as it sought to ensure the profession of accountancy was carried on under the "best conditions and guarantees";

(ii) The Select Committee chosen to inspect the preamble and its Bill had been thorough and as "a result of discussions and long deliberations by the Committee certain compromises were arrived at and concessions made" (USA, HA, Debates, Vol. 2, 29/7/24: 36);

(iii) Great expense had been incurred by the promoting Societies who had brought the Bill forward "in the most public-spirited way" (USA, HA, Debates, Vol. 2, 29/7/1924: 37);

(iv) There was a provision in the House's Standing Rules under which a Bill left undecided at the end of one session could be revived in the following session. Close believed the correct parliamentary procedures had been followed at the previous session to allow the Bill's reintroduction after the General Election.

The expenses mentioned by Close above undoubtedly worried the Four Societies. As at the end of June 1924, the Bill had cost its private promoters £2 996 8s 1d. The Cape Society estimated the final cost would be £3 200 in total (SAAHC, TSA, Minutes 19 August 1924: 190, Minute Number 12) (See Appendix 5). The Transvaal Society stated that its share of this final amount would deplete their accumulated funds of £1 461 17s 3d (SAAHC, TSA, Minutes 19 August 1924: 194). By 29 May 1925, costs had gone up and the total for the Union Registration Bill amounted to £3 413 17s 1d (SAAHC, TSA, Minutes 9 June 1925: 260, Minute Number 9).

As a comparative, the Bill of 1913 cost the societies £3 124 3s 4d (SAAHC, CSA, Council Minutes 8 July 1913: 197).

THE BILL'S SECOND READING AND THE ISSUE OF ADMISSION – AGAIN

The House agreed to honour the agreement made at the previous sitting and the Bill's second reading was set for 1 August 1924. On that date, Close again spoke to the motion to introduce the Bill for a second reading. Again, he made some important points as he summarised the proposed admissions criteria – the Five Categories – for the new society. It is clear that the promoting Societies had not moved their position very far in the period since Parliament had been dissolved before the General Election despite further compromise being suggested by the Speaker. Their position remained that registration with the new society would be compulsory for all practising accountants.

Close noted that the Select Committee had added one further admissions criterion in the form of a new Section 19 (as mentioned in the previous chapter). He emphasised the fact that any public servant at a rank not lower than that of a second grade clerk and employed for at least 10 years on accounting or audit work in the Public Service, provincial or municipal administration, or of any company approved by the new Society's council, could, after 18 months' continuous service in the office of a practising member of the society, be entitled to be registered. There was one further proviso – such a candidate could not sit the final examination except during or after the period of 18-month service. Close pointed out that the normal period both in South Africa and the United Kingdom of practical service for articled clerks was four years with one year remission for graduates of a University and six for non-articled clerks. The 18-month concession had been agreed to by the delegates of the Transvaal and Natal Societies where three years' practical service was the minimum period (USA, HA, Debates, Vol. 2, 1/8/1924: 158). Any people who believed they had a claim to be registered under this Section 19 or under 18 or 9, could also appeal the matter to the Division of the Supreme Court in whose jurisdiction they lived. Close was clearly pleased with the new Section 19 as he stated:

> "I submit that the society has succeeded by this Bill in making a compromise, allowing, in the first instance, everybody who ought to come in and has any moral claim to come in, to come in, and to take steps thereafter that for future generations the accountants shall build up a body of men of whom South Africa

can be proud as an honourable, skilful profession" (USA, HA, Debates, Vol. 2, 1/8/24: 152).

THE ISSUE OF THE PUBLIC SERVICE: THE PEARCE AMENDMENT

Later on in the proceedings – at the House-in-Committee stage – Pearce, the Labour member for Liesbeek, proposed an amendment which would permit public or provincial servants, employed in accountant or audit posts at an equal or higher status than that of accountant, to apply for registration within nine months of the Act passing. Pearce pointed out there were concerns about "retrenchments in the public service" – perhaps a veiled reference to the impending "Afrikanerisation' of the Civil Service by the Pact Government. The perceived threat to their jobs could explain the push from the civil servants to be admitted into the new society as a means of securing alternative employment. This amendment would affect 25–30 men only (USA, HA, Debates, Vol. 2, 8/8/1924: 327). Close, clearly discomforted by this punt for a special interest group, pointed out the ways already available for such men to enter the register. He declared: "Why should public servants have a claim to a special privilege" (USA, HA, Debates, Vol. 2, 8/8/1924: 330). However, as the chief negotiator for the promoting Societies, he was prepared to compromise and agreed to waive the requirement for 18 months practical service and passing the final examinations for those with 10 years public service. The compromise was restricted to the Cape and Orange Free State and was a "once-off offer" – providing public servants applied immediately for registration so as to avoid a "wait and see" complication. Those coming in later would need to serve 18 months. Close was also prepared to compromise by allowing public servants to sit for examinations at any time and not as restricted by Section 19 to during or after the period of 18 months' service. This was to accommodate a further proposal from the member for Ladybrand, Mr Swart. Clearly, the Bill's promoters had given Close a degree of latitude within which to operate. Pearce's amendment as it stood was, however, unacceptable in Natal and the Transvaal as the twin requirements of service and examination needed to apply there.

SUPPORTIVE COMMENTS MADE IN THE HOUSE: THE PUBLIC GOOD AND THE NEEDS OF COMMERCE

The issue of admission had clearly not been resolved, and a full debate broke loose – despite recommendations made by the Select Committee. CR Swart, a National Party member of the Select Committee, pointed out that

> "the object of the Bill [was] to put accountants on a better footing and to give them a proper status. It [was] in the interests of the accountants and [was] also to protect the public … It [was] in the public interest that only properly qualified men should practise as accountants" (USA, HA, Debates, Vol. 2, 1/8/1924: 154).

His view, also was that if the name was changed from "Chartered Accountant" to "Registered Accountant" for those who qualified under the Bill, preference would always be given to accountants (and by this he meant foreign accountants) described as Chartered Accountants. The public good was clearly an issue in the House.

Stuttaford, the SAP member for Newlands, welcomed the Bill, pointing out that, increasingly, commerce was being conducted through the medium of public companies and cooperative societies with many small investors looking to the chartered accountant to safeguard those interests, the title denoting in the public mind a qualified man (USA, HA, Debates, Vol. 2, 1/8/1924: 155). He continued that the Bill coming out of the Select Committee was better than the original which had made the profession "too close a preserve" in disallowing otherwise qualified persons from entering the profession.

Stuttaford was supported by J Christie, the Labour member for Langlaagte and a member of the Select Committee who urged opponents of the Bill to allow a second reading and thereafter to air their problems with it in Committee. He believed that the two main contentious issues – that of reopening the registers of the Transvaal and Natal Societies, and that of allowing civil, provincial and municipal servants, working in their respective Treasury Departments, to have an opportunity to write the Society's examinations – had been solved by careful changes to the Bill's wording. This allowed those practising in the Transvaal to do so as bookkeepers, and secondly allowed civil and other public servants the opportunity detailed in Section 19 of the Bill. Christie was

a member of Parliament both before and after the General Election and was more moderate than some of his Labour colleagues.

Close concluded by moving the second reading of the Bill, which was done and the debate subsided. But his attempt to take the Committee stage immediately after the reading failed and the stage was set for 8 August.

THE HOUSE-IN-COMMITTEE: 8 AUGUST 1924: LABOUR TO THE FORE

On Friday 8 August 1924, the House met and went into Committee to consider the South African Society of Accountants (Private) Bill. The process at this point was an analysis of the Bill, section by section. Close reiterated the position of the Bill's supporters:

> "We are trying to put this profession on the same basis as the legal or medical profession, not in the interests of the profession itself, but in the interests of the public which that profession serves" (USA, HA, Debates, Vol. 2, 8/8/1924: 311).

RB Waterston, the Labour member for Brakpan, questioned whether the Bill was in fact for the protection of the public and stated it was rather for "the protection of such gentlemen who have been responsible for bringing this Bill before the House" (USA, HA, Debates, Vol. 2, 8/8/1924: 311). He continued by saying that he was convinced that when South Africans wanted any work done by the new Society, they would find the professional charges to have been "raised considerably above what they are now". From this point on in the debate, criticism of the Bill centred on the Labour benches in the House and would be concerned with the interests of the little man. This was in line with the Nationalist labour policy and it dealt with, at some length, the Labour Party's attack on the Bill and the Bill's withdrawal. This is significant as it ultimately meant Government would need to step in to achieve a more equitable Act as in New Zealand. Never again in the period under review would Labour be able to exert this degree of influence. Indeed, outspoken members like Waterston, Hay and Rayburn served limited terms: Waterston from 1920–9, and the other two from 1924–9. All three lost their seats in the 1929 elections, when the Labour Party split; Creswell's supporters took a moderate route and continued to support the National Party, while Madeley's followers

formed a more radical splinter group. In contrast, John Christie held various seats for the Labour Party until March 1953 (Parliamentary Register, 1910–61). Waterston, Hay and Rayburn are difficult to define, and remain in the shadows of history. Each appear briefly in the *South African Who's Who* of 1925 and in the House of Assembly.

Thereafter, there was considerable debate over what unregistered accountants could do. In essence, it was agreed those in the small towns (little men) would be able to do the work of auditor and bookkeeper-accountant as long as they did not describe themselves as qualified accountants, thereby deceiving the public (USA, HA, Debates, Vol. 2, 8/8/1924: 318). Close pointed out again that the Bill prohibited people from describing themselves as accountants unless they were registered in terms of the Bill. Non-registered individuals could still be employed and paid providing they did not describe themselves as accountants and did not use the word "audited" in connection with the work done. Close emphasised that the word "examined" would be acceptable. He continued by saying that many sets of accounts drafted in South Africa were intended for foreign concerns with large interests in the country. This veiled reference was to the mines. He believed that if, by the effective work of the new Society, an acceptable accounting standard was set, such concerns would employ South African accountants and not send out their own accountants from overseas.

The Committee moved on to the next item for debate – the penalty for an unregistered person claiming to be an accountant being £100 for each offence or a period of six weeks in prison. Waterston made the comment that the object of professional societies was

> "to keep away competition so that the members of these professions shall not know what it is to experience unemployment … They do not want to face the competition of the children of the working classes who have been educated in a secondary school and who are qualified for professional work" (USA, HA, Debates, Vol. 2, 8/8/1924: 322).

Again Waterston's focus was on the little man, and probably anti-capitalist in sentiment.

Close's response later on was the observation that such societies were formed for the benefit of the public and that the protection afforded to its members was incidental (USA, HA, Debates, Vol. 2, 8/8/1924: 324).

The next point Waterston raised was the fact that those in the Transvaal not members of the Transvaal Society would not be entitled to register in terms of the Bill. Close pointed out that since the enactments of 1904 and 1909, those unregistered individuals in the Transvaal and Natal respectively, had been practising without hindrance providing they did not call themselves "auditors" or "accountants". He also pointed out that within six months of the passing of these enactments, every person entitled to register, being in practice or qualified or being "fit and proper persons", had been given the opportunity to do so.

> "The door was opened very wide to existing rights, there having been no previous prohibition by law against a man holding himself out as, or describing himself as an accountant" (USA, HA, Debates, Vol. 2, 8/8/1924: 326).

The existence of the 1924 Bill owed much to the Natal and Transvaal Societies, and the Transvaal Society believed it was impossible to open its register widely 20 years after it was closed. This point of view was supported by the other three Provincial Societies. Close stressed that it was a

> "vital thing for this Bill that the registers of the Transvaal and Natal, which have been fixed and established under their own statute, should not be reopened on the ground that there is no claim on the party of anybody, in law or otherwise to be put on the registers. That would also apply to public servants" (USA, HA, Debates, Vol. 2, 1/8/1924: 329).

OPEN THE DOORS WIDE

Waterston was not impressed by the need to protect existing rights and repeated the point of view that it was "necessary to open the doors as wide as possible so that no one will be injured" (USA, HA, Debates, Vol. 2, 8/8/1924: 335). Waterston also wanted the new Section 19 widened to include town clerks and treasurers and for there to be no difference across the four provinces.

GA Hay, Labour member for Pretoria (West) believed with reason that it was "clear that the [Bill] was designed to protect a certain class of practitioners and a certain number of people who want to make this profession a close preserve" (USA, HA, Debates, Vol. 2, 8/8/1924: 337). Close disagreed and pointed out again that the "Transvaal Society at the present moment is entrenched in the interests of the public with powers to develop the profession of accountancy in the Transvaal on sound and strong lines" (USA, HA, Debates, Vol. 2, 8/8/1924: 337). Those promoting the Bill believed that weakening the proposed Society's qualifications would weaken the status of its members and the regard of the public and overseas interests. The promoters of the Bill regarded the current compromise as "the irreducible minima and if others are passed cannot shoulder their responsibilities further" (USA, HA Debates, Vol. 2, 8/8/1924: 338). Swart made the point that should the Bill not be passed, South Africa would remain the

> "hunting ground of overseas accountants who will be able to come here without having to pass the examination here and practise as chartered accountants whereas our boys are not in the position to study for the position of chartered accountants and take the examination in this country. They will have to proceed overseas" (USA, HA, Debates, Vol. 2, 8/8/1924: 338).

ANOTHER COMPROMISE?

The debate took a different path when Waterston drew attention to the fact that the Bill's promoters had issued an ultimatum – if Pearce's original amendment was carried, they, the promoters, would withdraw the Bill. A dangerous point had been reached but the debate on this issue wound up on a technicality when Christie asked, on a point of order, whether an amendment could be withdrawn once he had put it on the Order Paper without the consent of the Committee. The Chair of the Committee pointed out the amendment had not been moved and thus the Committee's consent was not needed. Thereafter, the Committee accepted Pearce's amendment as modified by Close (see earlier paragraph entitled: "The Issue of the Public Service – the Pearce Amendment") and the debate moved on to the next issue – Section 10 – the cessation of separate register in Natal and the Transvaal 12 months after the commencement of the proposed Act. This issue was dealt with speedily.

But when it came to next consider the contentious Section 19, CW Giovanetti, OBE and SAP member for Pretoria (East), proposed to omit the section which required candidate members to spend 18 months in the office of a practising member (USA, HA, Debates, Vol. 2, 8/8/1924: 342). This, despite the compromise reached earlier [discussed above] and an indication of the depth of concern aroused by the proposed Society. The fact that the issue resurfaced again was also an indication of the persistent lobbying of Public Service organisations outside of Parliament.

Giovanetti stated that he had been asked to do so by the Municipal Association of the Transvaal and others as they believed their work fitted them to take the examination without serving the continuous practical period, a requirement for which most would not be given time off by their employers to complete. He pointed out that in the Transvaal, Natal and the Cape there were tertiary institutions and Faculties of Commerce through which prospective members could take a Bachelor of Commerce degree which would enable them to pass the examination, but the 18 months' service imposed a hardship which was difficult to surmount.

Close pointed out that Section 19 already represented a compromise with the promoters. He also stated that the Bill, in essence, eliminated the unqualified person, and protected the public by having a qualified body "to deal with the errant ones who lack either efficiency or conduct" (USA, HA, Debates, Vol. 2, 8/8/1924: 344). He noted that there was not an accounting society that did not require service as the work of an accountant depended upon practical experience. This applied also to the voluntary societies of the Cape and Orange Free State. As the London Association did not require service in the form of articles, Close either did not know or ignored it, possibly for dramatic effect.

Close then posed a rhetorical question:

> "Why do people join a Society with restrictions of that kind unless they believe that the fact of admission to that Society is going to be of commercial and professional value to them?" (USA, HA, Debates, Vol. 2, 8/8/1924: 345).

While the public or municipal service had good men, their work was often specialised and they could not acquire the experience to enable them to become of use to the public in a professional capacity as an accountant.

> "In which of those [municipal] offices does a man get an experience in insolvency, company work or in the management of deceased estates? Yet these are the big branches of work which a man in an accountants' office would have to deal with and the lack of practical experience might mean very serious loss, and even ruin to the people who employed him" (USA, HA, Debates, Vol. 2, 8/8/1924: 345).

G Rayburn, the Labour member for Durban (Umbilo), made the critical point that expecting public and municipal servants to be permitted to stay away from their jobs was impractical. "There is no municipal service in this country, I am sure, which will permit its senior officials to go away for 18 months, sit for examinations and then come back" (USA, HA, Debates, Vol. 2, 8/8/1924: 346). Similarly, there were few accountants who would take in people at age 50 so that they could acquire the status of a practising accountant. He concluded by stating that very often public and municipal officials had served their communities better than many others in private enterprise.

Close accepted an amendment from Swart that the examination could be taken at any time. While Waterston believed it meant nothing, Stuttaford pointed out that a public servant could write the examinations while still employed, and then leave to spend the 18 months in an accountant's office: "He has converted risk into certainty" (USA, HA, Debates, Vol. 2, 8/8/1924: 349). Stuttaford also pointed out that with new Companies and Insolvency Bills coming forward to the House, trained accountants were a necessity to see such legislation was properly applied. Hay interjected with the comment that the more the Committee delved into the Bill, the more in his opinion it appeared to foster a closed profession. However, Stuttaford had made an important statement – legislation then in the pipeline, including a Companies Bill, would require skilled practitioners to implement it effectively.

Swart proposed a further, complicated proviso which would mean no one could describe themselves as an accountant and auditor until after serving 18 months'

continuous service with a practitioner. An effect of this proviso would make people full members of the society so long as they remained in public or municipal service. In this service, they could describe themselves as accountants. Once leaving the Public Service to practise publicly they would need to complete service with a practising accountant registered with the proposed new society to retain the designation. Swart had put his finger on an important fact – designations as a form of advertisement of ability were a critical element in the public furore created by the Bill.

But Waterston pointed out that Swart's amendment did not address the main issue, that being the 18 months' service. "Unless this 18 months proviso is deleted, I am sure we must really be prepared to shoulder that tremendous burden of tremendous indignation that we shall have to meet in wrecking this Bill" (USA, HA, Debates, Vol. 2 8/8/1924: 352). Swart's amendment went no further.

SUSPENSION AT THE END OF THE SESSION: SEPTEMBER 1924

An *impasse* had been reached. Hay suggested time be given to consider changes to the Bill and moved that the Chair report progress and asked leave to sit again. This was agreed but the Committee only reconvened on 2 September 1924. At this meeting, Close stated that it was impossible to complete the Bill at the present session and asked leave to continue with the Bill at the next session of Parliament. It was then that proceedings were suspended at the same stage. In effect, this would be the Bill's second carry-over, the first having been in April 1924 shortly before the General Election.

RULES OF ORDER – AGAIN

MKC Alexander, the member for Cape Town (Hanover Street), a working class area with a strong "coloured" base prior to 1933, pointed out that Rule of Order 78 seemed to indicate that only one such indulgency could be given, and this had been done at the end of the previous session. A second postponement was now requested and he supported a liberal interpretation of the intention of the rule. He also suggested that, in the intervening period, the promoters of the Bill should negotiate with those bodies who believed the Bill did great injustice to them, principally the Outside Accountants' Defence Committee of the Transvaal, the Public Service organisations and the municipal employees association.

Waterston took a similar view and pointed out that if the House-in-Committee wanted to kill the Bill, it could oppose Close's motion to proceed at the next session. He stressed that all sought a Bill which gave "equality of opportunity" (USA, HA, Debates, Vol. 2, 2/9/1924: 1194). Hay agreed and pointed out that while the House did not have an objection to taking up the Bill at the next session, they had not accepted the main principles of the measure regarding admission and had been overwhelmed by representations as to its inequality. Unless such representations were satisfied, Hay promised to do his utmost to prevent the Bill going through the next session. He specifically referred to a deputation from the Transvaal that had arrived to make representations on behalf of the large number of people who believed the Bill threatened their livelihood.

Thereafter, Close's motion to suspend the Bill and bring it forward at the next session of Parliament was put and agreed. In the context of a new political dispensation, Hay and Waterston were members of the majority Pact Government and the perception was that the Bill had slipped from being supported by the majority in Parliament to being a minority cause.

The inability of the Bill's supporters to quieten the demand for inclusion from significant interest groups made the Bill unpopular in Parliament and, increasingly, the cause of protection for a minority.

THE BILL BROUGHT FORWARD: MARCH 1925

The South African Society of Accountants (Private) Bill resurfaced again in the Second Session of the Fifth Parliament of the Union of South Africa which was in session between February and July 1925. On 17 February, Close moved for the Bill to be revived at the place it was left off at during the last session and it was agreed that the House could resume in Committee on 27 February. But it was only on 13 March, nearly a year after the first meeting of the House, that the House-in-Committee met again.

THE HOUSE-IN-COMMITTEE: 13 MARCH 1925

The debate recommenced at Section 19 of the Bill. Close summarised the early debate in 1924 and confirmed agreement with Swart's amendment of the previous year, the effect of which was that there would be no restriction as to when the final examination

could be written. But the old arguments were soon revived. In response to Giovanetti's proposal to scrap the 18 months' continuous service, Close reiterated his position that to do so would do more harm than good as a period of service was essential. Swart indicated that he was prepared to withdraw his amendment subject to

(i) the last proviso in Section 19 being dropped – that is: fixing the final examination to be written after the 18 months' service; and
(ii) the final examination being held under the aegis of the University of South Africa.

He told the Committee that he had been informed by representatives of the Civil Service that this would satisfy them. Giovanetti disagreed and pointed out that when he had been in Cape Town two weeks earlier, he had been pressed by the Railway Salaried Staff Association to support their position that the 18 months' service be dropped in its entirety. He also indicated his belief that the period of service insisted upon was intended by the promoting Societies to do away with competition from public and municipal servants who really only wanted to qualify for the accountant's degree to better fit themselves for promotion in their respective services and to prepare for possible retrenchment. The attitude of the Four Societies remained unchanged. At the Transvaal Society's Annual General Meeting of 24 February 1925, the Society's President commented, "I think that the outcry from the civil and municipal services is entirely unwarranted". The response from this sector was that they would finally be "prohibited from joining a profession for which they contend[ed] their present life qualif[ied] them without undergoing unnecessary hardships" (i.e. examination and articled service).

In response to a new application for registration by a newly founded body, the Transvaal Bookkeepers, the President of the Transvaal Society stated "under what pretext these men can possibly claim inclusion in the Bill altogether passed my comprehension. I can only imagine they have not the least conception of the aims of the Bill" (SAAHC, TSA, Minutes 24 February 1925: 229). Clearly the Bookkeepers' attempt at inclusion indicated that the situation was becoming untenable. The Bill had become mired in controversy.

However, groups like the Bookkeepers

> "complained that nothing was being done for them in the Bill … they seemed to think that as a result of the contemplated general tightening up that would ensure on the passing of the proposed Consolidated Company Law, their earning capacity would seriously [be prejudiced] unless provision for their registration was provided for in the Accountants Bill" (SAAHC, TSA, Minutes 9 June 1925: 260–1, Minute Number 9).

This attitude was of concern to a Government committed to the eradication of White poverty. Bookkeepers were likely to be voters as well.
Christie, Labour member for Langlaagte, added that because so many months had passed since the Bill had been first discussed in Committee, many of the members of the House did not understand the amendments. He added that he believed the amendments being discussed were not printed on the Order Paper before the House.

> "There is always a danger that when a clause [*sic*] like this comes before the House, it is passed before we realise what we have done. The vital clause, the heart and pulse of the whole Bill would be passed before the House realise what we have done" (USA, HA, Debates, Vol. 3 13/3/1925: 922).

He continued that on the one hand he wanted the professionalism and education the Bill sought for its members and the resulting protection of the public, but on the other he saw men with vested rights in the profession at large who could lose status and livelihood if the Bill became law. Christie thereafter moved to report progress and end the session and for the amendments to be placed on the next sitting's agenda.

At this point, it is necessary to consider the complex system of amendments to motions, motions being the fundamental tool of parliamentary procedure. The objective of an amendment was:

- to alter a motion placed before the House of Assembly to obtain the support of members of a political party who, failing such amendment, were required by the party whips to vote against or to abstain from voting a motion; and

- to put forward to the House an alternate to the original motion (Kilpin, 1946: 68).

Amendments needed to be in writing, seconded if moved, but not subject to notice. However a number of restrictions existed. An amendment needed to be:

- relevant to the motion it sought to amend; and
- of such an interpretation that it did not make the original motion unclear (Kilpin, 1946: 68).

In addition, there were only three types of amendment to a motion:

- words could be omitted;
- words could be inserted;
- words could be omitted and substituted by others.

The first two forms modified the original motion, while the third form was usually intended to create a new proposal (Kilpin, 1946: 69).

In terms of Parliament's Standing Orders, there was a presumption that a motion be retained in its original form. The actual detail of its process of amendment is given in Kilpin (1946: 70–3) but, in general, amendments were usually considered in the order received. All three forms of amendment could be used to change an original motion and it was possible to propose an amendment to an amendment. When amendments in all three forms were moved to the same motion, they were dealt with in the order in which they occurred in each line of the motion and not in the order they were proposed.

It was one of the tasks of the Speaker of the House to ensure that amendments were dealt with correctly in debate and in conclusion to that debate. This could be an onerous task in the heated environment of a close debate dealing with contentious or sensitive issues. Very often members of the House became confused as to what was actually being proposed, and the Speaker was required to put the position clearly (see for example: Christie, USA, HA Debates, Vol. 3, 13/3/1925: 920–2). To this end, a highly stylised use of language was employed. If the words of a motion were retained intact,

this meant the amendment was dropped (and vice versa). The House then proceeded to deal with the other amendments. (Kilpin, 1946: 72–3).

MORE DISTRACTIONS: AMENDMENTS NOT ON THE ORDER PAPER

The Chair pointed out that amendments were put on the Order Paper at the request of members, implying that Christie had not done this earlier. Christie could therefore not attach any conditions to his motion and could only request their inclusion, which he accordingly did. Before the Chair could react, Stuttaford interjected that if progress was to be reported, it would be difficult to be brought up again in the current session of the House. Other members called out, saying that many of them had received deputations against the Bill. Hay supported the motion to report progress and pointed out that if the Bill died, the *status quo* would stand and that a fear of the promoters was the fact that they stood to lose the £3 000 spent to date on promotion expenses. Hay stated unequivocally that he was for trade unionism and saw no reason to exclude any who carried on their livelihood as accountants from the new Society (USA, HA, Debates, Vol. 3, 13/3/1925: 924). The Chair rebuked him for entering into the merits of the Bill and not remaining within the parameters of the debate.

Close spoke and admitted to being dumbfounded when Christie, a member of the Bill's Select Committee, had proposed his motion, telling the Committee that he did not understand the amendments. He stated, "I think the hon[orable] member must be having a little joke" (USA, HA, Debates, Vol. 3, 13/3/1925: 924). It was more likely he was filibustering – that is: talking the Bill into oblivion. Clearly, Christie had been pulled into line by the Party whips. He also took Hay to task for suggesting there had been agreement at the last House-in-Committee meeting in August 1924 to reconcile all differences raised by outside parties. A meeting had been held in Bloemfontein of interested parties which agreed to support the continuance of the Bill through the House. Close pointed out that the Bill would create employment for young South Africans and declared against the motion to report progress, thereby postponing a final decision on the Bill.

Alexander, member for Cape Town (Hanover Street), pointed out that it was unacceptable that the amendments to be considered did not appear in the Order Paper.

He also pointed out that since the last meeting of the Committee, the Transvaal Society of Accountants had issued a circular (USA, HA, Debates, Vol. 3, 13/3/1925: 830) to the effect that "if certain amendments were persisted in, the Society would retire forthwith as co-promoter" (USA, HA, Debates, Vol. 3, 13/3/1925: 926).

This signalled the beginning of the end of the Bill in its current form as it indicated a hardening of attitudes and made a compromise more difficult to achieve. It also indicated that the promoters were thinking of alternative ways of reaching their objectives.

MOTION TO POSTPONE THE BILL: THE ISSUE OF THE MISSING AMENDMENTS

DM Brown, SAP member for Three Rivers, declared that the "only way to choke off a Bill is to get it held over till some future date" (USA, HA, Debates, Vol. 3, 13/3/1925: 926). Other members of the House-in-Committee, while supporting the Bill, lamented the fact that the amendments had not been made available. Christie agreed that he had been a member of the Select Committee but pointed out to Close that while a member, he had made it known that he reserved the right to oppose certain points in the Bill in the House (USA, HA, Debates, Vol. 3, 13/3/1925: 927). He continued that he was not anxious to wreck the Bill as he believed that accountancy work in South Africa needed the best possible standard. But it was unreasonable to consider the amendments if they had not been placed on the Order Paper and if this wrecked the Bill, the blame lay with Close.

Swart, National Party member for Ladybrand, pointed out that one amendment only deleted 18 words. In support, Duncan, KC, and member for Yeoville, pointed out that these words, if not on the Order Paper, were nevertheless available in the "Votes and Proceedings" (USA, HA, Debates, Vol. 3, 13/3/1925: 928). Duncan also defended the Transvaal Society's right to withdraw the Bill should it be contrary to their interests. Madeley, Labour member for Benoni, pointed out that the Transvaal Society's threat showed that the promoters were more concerned with their interests than those of the public. This meant the Committee had a responsibility to consider the Bill with "meticulous care". He continued that while both Close and Duncan had stated the purpose of the Bill was to ensure a high standard of chartered accountancy, "I feel we

must regard it with suspicion" (USA, HA, Debates, Vol. 3, 13/3/1925: 928). Members of the House clearly saw the Transvaal Society's threat to withdraw the Bill as worrying and vaguely against "the rules". It angered some.

Close took up the debate again and stated that Madeley's criticism had not been fair and that people skilled in accountancy were "best able to inform the House as to whether the class of qualification contained in the Bill is vital or not vital for the formation of a sound profession in the public interest" (USA, HA, Debates, Vol. 3, 13/3/1925: 929). He also pointed out that difficulties regarding the amendment papers should have been brought up with him earlier as the Bill had been on the Order Paper for weeks. Close concluded: "I appeal to members to be content with the skirmish we have had, and to let us continue with the Bill" (USA, HA, Debates, Vol. 3, 13/3/1925: 930).

Alexander refused to relent and pointed out that the promoters needed to accept legislation in the form passed by Parliament and that he knew of no procedure which allowed a private promoter to withdraw a Bill once it had reached the stage the House was at presently. He continued: "I do not say it is disrespect, but we are not here to pass what they want … I hope this House is not going to be a rubber stamp" (USA, HA, Debates, Vol. 3, 13/3/1925: 931). He concluded by supporting the motion that progress should be reported. Madeley ended the debate by saying ominously: "We ought to consider the rights of the public in South Africa and not the promoters of private bills" (USA, HA, Debates, Vol. 3, 13/3/1925: 933).

MORE POLITICAL UNDERCURRENTS

Thereafter a vote on the motion to report progress – that is: to end the debate – was taken and defeated by 56 votes to 40, indicating a continued and significant level of support for the Bill. While it is difficult to determine the party split of this vote, some speculation is not out of place. The House of Assembly in 1925 comprised 135 seats with 53 occupied by the SA Party, 63 by the Nationalists, 18 by Labour and one Independent. To achieve 56 votes to defeat the motion the South African Party must either have had 100 per cent attendance at the vote and 100 per cent vote in favour – both of which are unlikely – plus two votes from another party, or the motion was defeated by a lack of common purpose in the Pact, with Nationalists supporting the South African Party. NC Havenga and JC Smuts are listed amongst the opponents to

the motion while Hay and Rayburn are listed among its proponents. Waterston is not listed and was probably not present at the split.

AG Barlow, member for Bloemfontein (North), declared that the House needed to adopt a "South Africa First" attitude and pass the Bill to give young South Africans an opportunity to become chartered accountants without having to go overseas. If the Bill failed, he predicted "so far as the Transvaal accountants are concerned, I daresay they shrug their shoulders, because they will be in no better position if the Bill goes through. Their status as chartered or incorporated accountants of England will remain and they will not have the chartered accountants to compete with them" (USA, HA, Debates, Vol. 3, 13/3/1925: 945). He continued that "as a Labour man I support this Bill. I want to protect the public by having qualified men to audit the books of the people" (USA, HA, Debates, Vol. 3, 13/3/1925: 945). He concluded that the House needed "to make this as good a profession as the legal profession, which stands as high as the legal profession in any part of the Empire" (USA, HA, Debates, Vol. 3, 13/3/1925: 945). Barlow's statement makes it clear that not only was the Pact split over the Bill but also its Labour representatives in the House, notably Hay, Waterston and Rayburn, were opposed to the Bill for a variety of reasons especially its exclusionary nature, while the idea of a South African profession for the benefit of South Africans appealed to others like Barlow.

REPEAT ISSUES

Proposed amendments were then brought up for debate, many being covered a third or even fourth time.

(i) NATAL

KC Nathan, SAP member for Von Brandis, brought forward a motion for the Bill to treat people who were practising as accountants in the Transvaal and Natal equally with those in the Cape and Orange Free State. This issue had been debated before on numerous occasions but Close pointed out that the motion touched one of the fundamentals of the Bill in that it considered people in the Transvaal and Natal who were not allowed into the profession in terms of the Bill. He pointed out that under the Bill, such people would not lose their living providing they did not describe themselves

as accountants or public accountants. If they had not described themselves thus before the Bill, they could continue in the same way after the Bill.

(ii) THE PUBLIC SERVANTS

The issue of the civil servants was again brought up by Christie who pointed out that as the Bill stood, a civil servant in the Cape could be admitted to the new Society but that a similar civil servant in the Transvaal could not. While he acknowledged the fact that the Transvaal had had an Ordinance in place for over 20 years, the situation now created was "an absurdity" and that "in this respect the Transvaal Society has been unduly selfish" (USA, HA, Debates, Vol. 3, 13/3/1925: 936).

Giovanetti produced a letter from the Transvaal Municipal Association testifying to how some civil servants in that province had been denied admission to the Transvaal Society but had subsequently risen to high accountancy positions and were still classified as unqualified accountants by the Transvaal Society. A few had been allowed to sit for the final examinations but that had ended when the Society had passed a resolution that none could sit for the final examination unless they had served articles.

Giovanetti also referred to the opinion of the City Treasurer of Cape Town before the Committee in which the Treasurer stated that forms of accounting experience – such as in the civil and municipal services and other than that obtained in a practising accountant's office – were equally as good. The City Treasurer also pointed out that municipal experience was often wider than that achieved by articled clerks (USA, HA, Debates, Vol. 3, 13/3/1925: 938). He concluded by quoting from a letter from the Municipal Association of the Transvaal to the effect that the 18 month service envisaged in Section 19 "erected an impenetrable barrier to local government officials" both in time away from their offices and the practicality of finding a practising accountant who would take on such individuals as articled clerks.

Swart responded that the Select Committee had established that articles were necessary to achieve the appropriate experience that was neither municipal nor Civil Service oriented but commercial in nature. Moreover, articles sent a message to people in South Africa and overseas that South African qualified accountants had adequate and appropriate experience. He told the Committee again that he had been informed by

representatives of the Civil Servants' Association that while they would have liked the period of articles done away with, they were prepared to accept the fact that the qualifying examination could be written at any time (USA, HA, Debates, Vol. 3, 13/3/1925: 939). Not all accounting organisations in South Africa were totally at odds with the Bill.

(iii) PUBLIC SERVANTS – AGAIN

Allen, Labour member for Springs, pointed out that accountants in Government, municipal and provincial employment would be disadvantaged and would, if the Bill were passed, not be allowed to practise outside their service. But they would find in time that the qualification of Chartered Accountant would become necessary for those intending to apply for senior posts within these services. He declared that the Bill's goal of improving the standard of the profession was laudable. "It indicates progress and brings the country level with competitors" (USA, HA, Debates, Vol. 3, 13/3/1925: 946).

He continued by saying that if the promoters of the Bill accepted the demands of those in the Public Service, they would achieve that goal in the long run and "without creating a great deal of prejudice in the public mind and in the minds of those practising up to the present" (USA, HA, Debates, Vol. 3, 13/3/1925: 946). In this, he was supported by JSF Pretorius, National Party member for Fordsburg, who stated that he had been convinced by the afternoon's proceedings that an injustice was being perpetrated and put the opposition point of view as follows: "We can argue as we like, but it amounts to this, that the people in that position [of chartered accountants] do their best to keep others out". He moved that the Chairman "leave the chair" (USA, Debates, Vol. 3, 13/3/1925: 947).

Close asked the Chair to explain what this meant as he believed few would realise that if the motion for the Chairman to leave the Chair was carried it would mean the dropping of the Bill for a time, perhaps never to come before the House again. The Chairman agreed with Close's summation of the matter but pointed out that the Bill could be brought forward after further notice and the approval of the House. The House-in-Committee voted and the motion was defeated by 54 votes to 11 (USA, HA, Debates, Vol. 3, 13/3/1925: 947). Barlow, Nathan and Rayburn voted against the

motion while Hay and Pretorius voted for it. Rayburn then moved that the Chair report progress and ask permission to sit again. Close attempted to get a vote on the amendment to allow the final examination to be written at any time but this was not agreed to and instead the Chair reported progress and the House agreed to resume in Committee on 27 March.

THE HOUSE-IN-COMMITTEE: 24 APRIL 1925

The pressure of business in Parliament meant that the House only resumed in Committee to consider the South African Society of Accountants (Private) Bill on 24 April 1925. The proposed amendment arising out of the meeting of 13 March was summarised, namely the final examination could be written at any time but the 18-month "continuous service" with a practising member of the proposed new Society, remained.

The debate resumed. Waterston took up the cudgels again against the 18-month service required by municipal and public servants, calling it "an effective barrier against these persons being able to enter the profession as an accountant" (USA, HA, Debates, Vol. 4, 24/4/1925: 2497). For Waterston, one of the issues was a living wage for those public servants doing the 18 month service. "How can he afford to put in 18 months apprenticeship at 2s 6d or 10s a week in order to become qualified as an accountant?" Even if a town clerk earned £1 000 a year, such an individual would be unlikely to be able to save much as he had "to live in decency and pay for the maintenance and education of his children. I do not believe that, as far as earning money is concerned, he would earn enough during his period of qualification to pay for his food" (USA, HA, Debates, Vol. 4, 24/4/1925: 2497). He stated that should Close agree to drop the 18-month service requirement, this act of good faith would assist in getting the clause through the House. Close responded that all he could concede was the deletion of the requirement that the qualifying examination had to be taken during the period of service. The *status quo* since the last meeting had not changed.

Close reiterated three points.

1. the promoters of the Bill were best qualified to judge the value of the new Society so all would be proud of it;

2. the young people of the country could join a real profession with status; and
3. the promoters were Four Societies, one from each province. Two were statutory Societies with nothing to gain from the Bill. But they stood to lose the professional status they had acquired since their establishment if they agreed to an "open door" policy.

Nevertheless, Close pointed out: "In the interest of the general body of the profession and of the general public, they are prepared to sacrifice the position guaranteed by [this] status, which will be altered by this Bill" (USA, HA, Debates, Vol. 4, 24/4/1925: 2498). But there were limits – people who previously had little chance of entry into the Society could, by examination and 18-month clerkship, be allowed in. The Four Societies promoting the Bill were unanimous in the belief that the Bill was the only way to secure "the registration of South African accountants as being of a high status in accountancy work" (USA, HA, Debates, Vol. 4, 24/4/1925: 2498). He further pointed out that he had been authorised to state that the public services accepted the Bill providing the examination could be written at any time. He appealed to the members of the House to end discussion and come to a straight vote on the issue of the Bill. It was a forlorn hope and the debate broke out afresh.

TABLE 8.3

ANALYSIS OF MAJOR LABOUR PARTICIPANTS IN HOUSE-IN-COMMITTEE DEBATES ON THE ACCOUNTANTS BILL: 8 AUGUST 1924, 2 SEPTEMBER 1924, 13 MARCH 1925, 24 APRIL 1925, 9 JUNE 1925

Name	Party Affiliation	Service in Parliament	Constituency
Barlow, AG	Labour United Party	1921–43 1943–53	Bloemfontein (North) Hospital
Hay, GA	Labour	1924–8	Pretoria (West)
Kentridge, M	Labour United Party	1914–33 1933–53	Durban (Central), Fordsburg Troyeville
Rayburn, G	Labour	1924–9	Durban (Umbilo)
Waterston, RB	Labour	1921–9	Brakpan

Source: Parliamentary Register, 1910–1961.

LABOUR RAMPANT IN COMMITTEE

Hay pointed out that there was still resentment over the "servitude of 18 months" (USA, HA, Debates, Vol. 4, 24/4/1925: 2501) and stated he was out to get justice for those accountants threatened with exclusion from the new Society. He moved for the Chair to report progress and ask leave to sit again, clearly in a delaying tactic designed to wear down Close and his supporters. Kentridge declared that if the Committee did not report progress, he – Kentridge – would allow the Committee stage to continue and simply vote against the Bill at the report stage. Nevertheless, Hay moved to report progress and a vote was taken. The motion was defeated. Hay, Kentridge, Rayburn and Waterston supported the motion while the opponents included AG Barlow (USA, HA Debates, Vol. 4, 24/4/1925: 2503). Smuts and Havenga were noticeable by their absence from the House. The Bill had lost traction and, more importantly, was beginning to prove an embarrassment to the Government. What is also noticeable is the class and language gaps that were beginning to open between Hay and his strongly spoken colleagues on the one side, and the conservative Barlow and Havenga on the other. The analysis of Labour members of the House given at Table 8.3 reinforces the impression of instability in Labour's ranks. Hay, Rayburn and Waterston – or 43% of Labour's representation – lost their seats in the 1929 election and the Labour Party went from 17 to 10 Parliamentary seats.

Rayburn made the point that a municipal accountant could become a member of the Incorporated Society of England by passing an examination with no need to serve articles. It was his opinion that the chartered society was for rich men while the incorporated society was for poor men (USA, HA, Debates, Vol. 4, 24/4/1925: 2504). He continued, artfully, that he believed the Bill's promoters wanted to maintain the proposed new Society's status "and they fear lest a second grade clerk in the municipal service may be allowed to enter" (USA, HA, Debates, Vol. 4, 24/4/1925: 2505) – this, despite Close's pronouncements to the contrary, previously given.

A CIRCULAR DEBATE

The issue of the Bill had become circular with points raised being repetitive in their nature. For example, Swart pointed out that accountants in the Transvaal would not lose their livelihood as Section 19 dealt with municipal and public servants, suggesting that people were misinformed about what the real intention of the Bill and its objectives

were. Waterston, with political perception, was of the opinion that Close was pushing for a vote "because he has a steam roller majority behind him at the moment, he wishes to rush this Bill through and he is not going to concede anything at all" (USA, HA, Debates, Vol. 4, 24/4/1925: 2509). Waterston produced telegrams and letters from citizens who believed the Bill would be detrimental to them, one author claiming, "I make the definite allegation that in the Transvaal work is being taken by accountants, but it is actually performed by the clerical staff and these gentlemen are getting big fees for work they have not done themselves" (USA, HA, Debates, Vol. 4, 24/4/1925: 2511). Close made another attempt to get the House to vote on the amendment, but fruitlessly so.

The Labourites had a full head of steam now and were remorseless and careless of the facts. Kentridge, for example, queried Close's contention that he spoke for the public servants when Waterston had produced a telegram from the Transvaal Municipal Association, representing most of the municipal employees in that province, stating their opposition against the Bill. Close's response was that he had the support of the public servants, not the municipal ones. Kentridge withdrew his remark, but pointed out that a previous statement that accountants could earn between £18–25 a month, did not make sense. He knew of instances where bookkeepers in Johannesburg performing the work of accountants or company secretaries were offered only £4–5 a month to do so. For such men, the recognised practice of accountancy would be closed by the enactment of the Bill (USA, HA Debates, Vol. 4, 24/4/1925: 2512).

FOREIGN SOCIETIES – AGAIN

Waterston resurrected the issue of foreign societies and re-entered the debate with a letter he had received from a Mr A Mitcham pointing out that accountants who qualified with the London Association of Accountants or the Corporation of Accountants, Glasgow, but who were not at present practising, would not be allowed to join the new Society. Both aforementioned Societies, Waterston said, made allowance for South African law in their examinations. In England, the system was open to all providing they qualified under a recognised Society. The Bill was seen as an attempt "to limit the profession to those presently practising and enable them to exact exorbitant fees from the public as is the case with doctors and lawyers" (USA, HA, Debates, Vol. 4, 24/4/1925: 2517).

Mitcham's letter also detailed suggestions for basic future educational requirements – such as those laid down by the National Commercial Examining Body of the Union Government of South Africa – as well as admission to the new Society of those belonging to the Corporation of Accountants (Glasgow) incorporated in 1891, and the London Association of Accountants, incorporated in 1905. The former suggestion was to operate for all those intending to become practising accountants while the latter would operate for a window period of a few months after the passing of the Bill.

Close's comment was that the proposals would require "an entirely new Bill" (USA, HA, Debates, Vol. 4, 24/4/1925: 2519). Waterston pointed out that the first amendment would allow all to enter the profession while the second one would allow in others at present qualified but shut out by the Bill. He continued by saying he preferred personally to see how attempts to legislate the profession in the United Kingdom fared and for the present South African Bill to be quashed. It is significant that the debate that raged in the House-in-Committee centred on South African issues, this despite the petitions raised by foreign societies at the beginning of the process. One implication is that internal issues became more important to members of the House as the debate had touched upon sensitive issues, one being an overt sense of class.

RAYBURN TO THE FORE

Rayburn pointed out that while the Bill had been before the House for 18 months, some members of Parliament were new as a result of the General Election of June 1924 and did not have Close's familiarity with it, alluding to Swart's earlier remarks about members' difficulty in understanding the legal niceties of amendments proposed (USA, HA Debates, Vol. 4, 24/4/1925: 2507, 2520). Swart protested that he had been misrepresented to which Rayburn apologised but stated, again, that his point was that the Bill made accountancy a closed preserve for those who could afford to go through an expensive series of examinations. The Chair chastised him and stated that he should confine his comments to Section 19. But Rayburn persisted and said that many good accountants had never passed the matriculation examination, declaring it to be "a fetish which has been forced upon this country, particularly in late years" (USA, HA, Debates, Vol. 4, 24/4/1925: 2521). The Chair again insisted Rayburn confine his remarks to Section 19. Rayburn's censure by the Chair indicates two important facts – underlying class tensions and a reluctance to play by the rules.

WATERSTON AND HAY

Hay took up the fight and questioned Close's statement that the public servants supported the amendment, stating no letter had been provided. He then read a letter from a senior public servant who did not support the amendment or the exclusion of those in Natal and the Transvaal while their equals (or even inferiors) were allowed admission because they were resident in the Cape or the Orange Free State. Provincial barriers created a series of inequalities which the letter detailed, declaring that provincialism needed to be done away with in favour of South Africa as a whole (USA, HA, Debates, Vol. 4, 24/4/1925: 2523). Christie urged Close to do away with the provincial aspects of the Bill, promising, if he did, many more would support the Bill. He pointed out, however, that the 18-month articles was manageable now that Close had agreed to the final examination being written at any time.

Waterston read another letter, this time from the Municipal Association of the Transvaal in which they stated that those who received a degree, diploma, or passed an acceptable examination in accountancy, should be admitted to the new society. The letter pointed out that 18 months' service was impossible, assuming accountants in practice were prepared to accept such candidates. Hay concluded that he had, to hand, letters from important accountants in South Africa urging him to oppose the Bill. Hay denied any desire to wreck the Bill preferring instead to be "the builders up of a righteous measure" to which Close remarked: "a friendly gesture from the Labour Benches" (USA, HA, Debates, Vol. 4 24/4/1925: 2526) thereby acknowledging the increasingly effective opposition of the Labour Party.

Hay continued that "we are fighting for the livelihood of [deprived] people" and moved to report progress. The Chair declared him out of order as he had already moved a similar motion in the current debate. Alexander tried to move for an adjournment of the debate but was also ruled out of order by the Chair. Oost, National Party member for Pretoria (North), then moved for progress to be reported and Close pointed out to the Bill's supporters "that if they accept this motion, the whole thing goes altogether" (USA, HA, Debates, Vol. 4, 24/4/1925: 2527). This motion was put and lost. Rayburn moved to report progress and to ask leave to sit again. This passed and the House-in-Committee was scheduled to meet on the following Monday to continue debating the issue.

THE BILL IN TROUBLE – AGAIN

Again this was not to happen and the next time the Bill appeared before the House was on 2 June 1925 when Swart moved that its debate be suspended again and permission be given to proceed with the Bill at the next session of the House at the same stage as that at which the proceedings were suspended (USA, HA, Debates, Vol. 4, 2/6/1925: 3886). Hay objected and further consideration was postponed to 9 June 1925 when it was left to the Speaker to point out that while motions similar to that proposed by Swart had been accepted in the past, there was no precedent for the motion being repeatedly made with the same Bill – except where a general election intervened and the following session of Parliament was too short to handle the matter. The Speaker acknowledged that this had been the case with the South African Society of Accountants (Private) Bill where the House had agreed to the Bill's first suspension in the first session of 1924 and again in the short second session following the General Election of 1924. The Speaker pointed out that he was not prepared to rule Swart's motion out of order and that it was for the House to accept or reject it.

SWART'S MOTION

Thereafter Swart formally moved to have the proceedings suspended as contained in his 2 June proposal. He continued by saying the Bill had been "hanging in mid-air" (USA, HA, Debates, Vol. 4, 9/6/1925: 4213) since 1924. It had already cost the Promoting Societies between £3 000 – £4 000 and had generated "determined opposition" in the House. Swart brought to the House's attention that it had been impossible for the Promoting Societies' representatives to deal with the points of opposition raised during the current session concerning public servants and the perceived provincial inequalities, as these representatives had had no authority to depart from their mandate. Swart hoped that during the recess matters could be resolved so that an amended Bill suitable to both promoters and opposers could be introduced in 1926. He pointed out that if the motion was not carried, the Bill would be wrecked and the promoters would be unwilling to bear the cost of bringing another Bill forward. He concluded, "I hope the House will take the assurance from me that the promoting Societies will do everything possible during the recess to meet the points raised by the members who object to the Bill" (USA, HA, Debates, Vol. 4, 9/6/1925: 4213). Close was conspicuous by his absence, being "not at present in this country".

Swart then moved the motion to postpone the Bill to the next Session. Giovanetti seconded the motion with Christie supporting it, particularly as the Promoting Societies were urged to convene a conference in the interim to discuss the points raised by the opposition. He concluded that should they not resolve the issues, the publicity generated by the Bill might persuade the Government to bring forward a fairer dispensation measure. In this assessment, Christie showed a shrewd political sense. The extensive bickering both in Parliament and out coupled with the inability of opposing parties to reach a compromise had created an embarrassing situation for the Government as there was a clear need to regulate the accounting profession. Even the most ardent supporters of a private Bill recognised the need for intervention if the confusion continued.

A GOVERNMENT BILL?

Hay was supported by Allen, the Labour member for Springs, who believed the matter should begin *de novo* with Government sponsoring the Bill to save the Societies money. He stated that if the motion were passed "there is, next session, going to be a good deal of the time on private members days used up in retraversing the discussion, and I think this would be rather straining the indulgence of the House" (USA, HA, Debates, 9/6/1925: 4215). This was an interesting revelation of a tactic rather similar to the American filibuster in that its goal was to extend the debate upon a subject indefinitely so as to delay progress and prevent a vote upon a particular proposal.

DM Brown, SAP member for Three Rivers, objected to Hay's remarks and pointed out that before he, Hay, had been voted to the House in the General Election of 1924, a Select Committee had sat for 15 days hearing a large range of witnesses. He pointed out that "the largest and wealthiest Society" [the Institute of Chartered Accountants in England and Wales] had not opposed the Bill but had "opposed South Africa being allowed to use the name chartered accountant, which is really the hallmark of accountancy and they spent close on £1 000 fighting that point alone" (USA, HA, Debates, 9/6/1925: 4215). The Select Committee had rejected that point, deciding instead that South Africans needed the same title as the best designation in the world. At this point, the Speaker brought Brown to task for discussing the Bill. Brown continued that much time and money had been spent on the Bill, before concluding with the comment "an honourable member says this Bill tries to exclude everybody. I

challenge that statement. It does not seek to exclude a single person, but it refuses to admit everybody" (USA, HA, Debates, 9/6/1925: 4215). Brown pointed out that most of the members opposing the Bill were new members of the House who cried out for trade unions "but this is a legitimate trade union and still they oppose it" (USA, HA, Debates, Vol. 4, 9/6/1925: 4216). The new Labour members in the House were making a clear impact, but not perhaps as intended.

How White unions viewed the Labour Party in Parliament is unclear. Its leader, Creswell, failed to force a White Anglophone Labour policy on the mines at a time when its National Party allies had dropped the idea in favour of placing the economic burden of employing White (Afrikaner) labour on the Public Service and secondary industry (Yudelman, 1983: 225). In this environment, many mine unions became dominated by increasingly less militant Afrikaners (Yudelman, 1983: 129). In the period 1900–24, South African trade unions had undergone a radical transformation from exclusive skilled miners to inclusive racially and class based organisations to cater for unskilled White Afrikaners (Yudelman, 1983: 225).

WB Madeley, Labour member for Benoni and member of the Cabinet for Public Works and Post, entered the debate on Hay's side and criticised the promoters of the Bill for their intransigent attitude and failure to compromise. He believed it would be foolish to expect anything further if the motion was carried. He also took Brown to task on his comments about trade unionism, pointing out trade unions opened their ranks while the Bill closed the door to those capable of becoming chartered accountants and put insurmountable barriers in their way in the form of a period of practical service. In response to a query about similarities in the legal profession, Madeley was of the opinion that the "lawyers [had] been able to pass legislation which entrenches a circle of them, but that is no reason why we should perpetuate it" (USA, HA, Debates, Vol. 4, 9/6/1925: 4216). He called for a Government bill so that there would be a public point of view rather than that of private individuals and urged the House not to pass the current Bill as it was unsatisfactory. He held out that should the Bill be reintroduced in a form acceptable to the House it was almost guaranteed passing. Swart responded that, if possible, the current Bill would be amended to meet the opposition's demands, but if not "it was probable there will be a new Bill" (USA, HA, Debates, Vol. 4, 9/6/1925: 4219).

The motion to postpone the Bill to the next session of Parliament was put and passed by 63 votes to 15. A review of the voting lists shows those in opposition included Labourites Hay, Kentridge, Rayburn and Madeley, indicating that they were consistent in their pro-worker attitude. While moderate Labourites like AG Barlow were equally consistent in their voting pattern concerning the Bill in the Committee, two supporters of the motion of 9 June 1925 are notable – JBM Hertzog, Prime Minister of the Union of South Africa and leader of the Nationalist Party and his Minister of Defence and leader of the Labour Party, FHP Creswell. Creswell's background was typically South African – a former mine manager, he had served in both the Anglo-Boer War and World War I. Part of their 1923 election pact had been an understanding that political cooperation would not affect party allegiance (Breitenbach *et al.*, 1974: 338) yet a Labour split is clear in this vote. Equally clear is the Government's desire that the matter of the Bill proceed, but in a different way. The promoting Societies had been bested in the House and had no further appetite for this particular approach to their goal of a united accounting profession in which they wielded significant influence. But in the period 1926–7, two other bills offered a way forward – the Companies Bill and the Chartered Accountants' Designation Bill.

CONCLUSION

A number of issues need to be considered further to achieve what Leedy and Ormrod (2005: 161) call the "meaning of events", history in their view being "nothing more than an ever flowing stream of events and the continuing changes in human life and its institutions". The inclusion of beliefs and norms is important, given North's view of institutional economics. Chance had a role to play as well.

Firstly, the economic and political landscape in 1924 was different to that of 1925 because the new Pact Government was wedded to an aggressive pro-White, Afrikaans regime marginally tolerant of foreign capital. As Yudelman (1983, 217) points out, the Pact Government introduced legislation in its first three years [of existence] which influenced industrial and race relations for the next 50, amongst them the policies of job creation and reservation for whites which led to an enlarged Civil Service and a marginalised Black population. Horwitz's view is that "Afrikaans-speaking workers [found] their political identification with Afrikaner nationalism, which had given legislative and administrative proof of its intention and its ability to promote the

interests of White workers" (1967: 103). But the absorption of semi-skilled whites into the mines' bureaucratic support structures was resisted with some success. The Mines Department, for example, was dominated by former Transvaal civil servants – largely clerks – far into the 1930s while the Labour Department, in the beginning, was run by ex-Cape civil servants (Yudelman, 1983: 231). The mining sector was very important economically and needed careful treatment.

The general meaning behind the events described above is relatively clear: the achievement of economic and political power so that some people's lives – the voters – could be influenced, hopefully for the better. Secondly, the Accountants Bills of 1924 was seriously flawed, both technically and morally. The technical aspects are well documented and comprise elements like incomplete and late petitions, poor draughtsmanship and *verbatim* use of the detail of the 1913 Bill, all of which needed to be condoned by the House. The moral argument so effectively used in the House by Waterston and his minority Labour colleagues in 1924–5 did much to undermine the 1924 Bill which was specifically exclusionary and out of step with events in the profession in other parts of the Empire, notably New Zealand and Australia.

North (1990: 3) has observed that institutions are the "rules of the game" or the "humanly devised constraints that shape human interaction" politically, socially and economically. These rules comprise either formal or informal rules, the former encompassing laws, contracts, political systems, organisations and markets and the latter concerned with traditions, customs, value systems and religions. The choices of individuals are thus limited by the rules but in return uncertainty and sometimes inefficiency are reduced by the "stable structure to human interaction" given by institutions (North, 1990: 6).

Institutional economics has, as Fraser observed in his inaugural lecture in October 2012 at Rhodes University, an unusual nature:

> "Economists for the most part hold on the crutch of theory, hard data and econometric techniques in their research and are somewhat lost without them. Venturing into the realm of qualitative analysis required for institutional

> economic research, which is more the sphere of anthropologists and sociologists, makes economists rather uneasy" (Fraser, 3/10/12: 1).

An important element in North's hypothesis is the "organisation". Fundamentally, institutions create opportunities which organisations, in turn, are created to maximise effectively. Simply put, in the process, the institution evolves and in return shapes economic behaviour. A further element is cost and, as North (1990, 27) notes:

> "The costliness of information is the key to the costs of transacting, which consist of the costs of measuring the valuable attributes of what is being exchanged and the costs of protecting rights and policing and enforcing agreements. These measurement and enforcement costs are the sources of social, political, and economic institutions."

Thus, in its simplest form, institutional economics requires a broad analysis of institutions and sees the economic system as the product of the interaction between institutions such as people, organisations and social norms (Fraser, 2012: 3–4).

Again, institutionalists do not seek one all-encompassing model. The ideas behind institutions "facilitate a strong movement towards specific and historically located approaches to analysis" (Fraser, 2012: 15). Inevitably there are many levels and forms of analysis.

Against this broadly sketched background, meaning is elusive. The facts of 1924–5 would suggest the following:

- Parliament represented the rules, both of procedure and of fair play. To access it was costly.
- The promoting societies and the opponents were the organisations formed to take advantage of the opportunity inherent in the 1924 Bill and Parliament's ability to create and enact it into law and thereby change opportunity into certainty.
- Cost was that of measuring the Bill's value, i.e. the cost of following the rules, of controlling the nascent society, including the public relations cost and the "fall out"

from Labour's exposure of the potential unfair treatment of a number of categories of accountants.

Any reference to cost in economics necessitates reference to Reginald Coase's publication *The Problem of Social Cost* (1960). Coase postulated that efficient markets are competitive and enables participants to solve the problem and maximise aggregate income costlessly (North, 1990: 15). Clearly, measuring the cost and value of the attributes of the 1924 Bill are difficult to do. Intuitively, one believes the failure of the Bill had an impact on the public good and the economy, but how to show it? The concept of a reportable irregularity may be an answer – or at least an avenue to one. This will be considered in the conclusion under the subheading, "Reportable Irregularity: A Tool for Institutional Economics?"

THE AUSTRALIAN EXPERIENCE

INTRODUCTION

At this point, it is appropriate to consider the creation of a formalised accounting profession in Australia. As with the New Zealand Act of 1907, so too did the incorporation of the Institute of Chartered Accountants in Australia by Royal Charter in 1928 have similarities and significant differences with the process in South Africa.

EARLY DAYS

First and foremost, both were in response to economic growth – principally in the gold mines in South Africa and in the rapid urbanisation of Australia from 1885. The large amounts of money invested in the growth called for enhanced bookkeeping methods and procedures which in turn needed a professional underpinning (Graham, 1978: 1). This underpinning was well described in the preamble to the Australian Royal Charter (as discussed later in this chapter).

As in South Africa, in Australia in the mid-to-late 19th Century there were many "accountants" offering a myriad of services. An early amalgamation of some of these loose groupings into more formal societies was effected by the incorporation in March 1886 of the Adelaide Institute of Accountants. In an attempt to achieve uniformity, it required members to have passed an examination prior to admission (Graham, 1978: 1).

The creation of the Adelaide Institute was soon followed later in 1886 in Victoria by the formation of the Incorporated Institute of Accountants of Victoria.

LESSONS

There are four important facts following from these amalgamations which are important from a South African perspective. Firstly, the impetus for the establishment of the Victoria Institute came from CA Cooper of the Society of Incorporated Accountants and Auditors of the United Kingdom who had convened a meeting to consider its formation in Melbourne, Australia, "of those having kindred interests in their common calling and a desire to place their profession on a higher plane than it had occupied in public esteem" (Graham, 1978: 1). The "Incorporateds" also played a key role in the profession in South Africa, beginning with the formation in the Cape Colony in 1896 of a South African Committee. Clearly, the Incorporateds saw the colonies and dominions as important areas for growth and were assiduous in their efforts to cultivate them.

Secondly, the new Institute was subsequently registered in the state of Victoria, Australia, Act No. 764, which gave the Institute legal sanction and significance when the Commonwealth of Australia was formally inaugurated in January 1901. The Transvaal and Natal Societies had similar "protective" legislation which the South Africans used in their own interests.

Thirdly, the Victoria Institute later became the Commonwealth Institute of Accountants which pushed hard for the creation of an accounting profession under Royal Charter, a process that took until 1928 to accomplish. And there was no lack of competition. In the period 1890–1910, at least 13 organised accounting bodies emerged in metropolitan Australia (Graham, 1978: 3).

And finally, those responsible for the establishment of these societies had an abiding belief that if people offering themselves to the public as "accountants" would only gain public support if these accountants exhibited a skill which indicated "the possession of the necessary qualification for the special work" (Brentnall, 1938: 46, quoted in Graham, 1978: 1). This refrain is one common to the South African process as well, but undermined in part by its almost aggressive exclusiveness.

THE SYDNEY INSTITUTE

The next important event in the Australian progression towards a unified accounting profession was the establishment of the Sydney Institute of Public Accountants in 1894. As a professional organisation, the Institute espoused minimum standards for admission. Associates of the Institute were required to be at least 21, resident in New South Wales and to have passed such examinations as required. Fellows of the Institute were Associates aged at least 25 who had completed no less than three years' continuous practice (Graham, 1978: 3). These requirements were very similar to those required by the four South African Provincial Societies. Another group of importance was the Tasmanian Institute of Accountants formed in 1917.

THE FIRST ATTEMPTS AT UNIFICATION

The proliferation of accounting bodies in the 1890s in Australia, as in South Africa, led to a wide variation in entry standards and an inability of the smaller societies to run examinations. As a result, and with the intention of creating a uniform system, the three main Australian institutes – the Sydney Institute, the Adelaide Society and the Incorporated in Victoria – developed a scheme of joint examination in rotation. The inclusion of the Incorporated Institute of Accountants of New Zealand in the process provided a short-lived opportunity in 1903 to establish the Federal Institute of Accountants (Graham, 1978: 4). This attempt was two years after the political change of Australia from colony to federation and the idea of unification grew.

The similarity between these Australian events and the process in South Africa in 1913 is marked. In summary, both experienced a recent and significant devolution of political power to former colonies, both proposed to unify the profession with automatic admission to the members of the founding institutes and proposed a distinction between professional (practising) and non-practising or non-professional accountants. Even the final "deal breaker" had South African echoes – the New Zealanders wanted the admission to the new society of all accountants in all fields; a majority of the Australians led by the Sydney Institute wanted to restrict membership of the new institute to public accountants.

The New Zealand attitude was understandable, given the fact that recent legislation in that country had seen the creation of a unified accounting profession that had defined "accountant" loosely and consequently had minimal entrance requirements.

The participants in the federal scheme also failed to agree as to where the head office of the proposed institute should be situated. This was followed by the news in 1904 that only two out of 186 candidates who wrote the joint examination passed. The Victorian and New Zealand Institutes resigned from the body.

In June 1907, conscious of the need for the new nation to have a unified accounting profession, FN Yarwood, President of the Sydney Institute, organised a meeting of likeminded individuals who represented their state rather than an accounting institute. The process was successful and saw the incorporation of the Australasian Corporation of Public Accountants (ACPA) in February 1908, a body which had a significant influence on Australian public accounting in the 20 years prior to the issue of the Royal Charter in 1928. This unified group of public accountants was the first step (Graham, 1978: 7) in the process.

CHASING THE CHARTER

The commercial and professional success of the British Royal Chartered Societies from the first award of a Charter in the 1850s to the current period of 1910 made the nomenclature "Chartered Accountant" a valuable one. An attempt in 1909 by the Incorporated Institute of Accountants of Victoria failed, but a carefully calculated approach by the newly created Australasian Corporation dealt carefully with a number of key issues. As in the South African Parliament, so too in the English Monarch's Privy Council – interested parties were permitted to raise objections and counter petitions.

One such objection from the Institute of Chartered Accountants in England and Wales was the use of the phrase "chartered accountant" which they believed, with reason, to belong to them and other Royal Societies. The Australians agreed and made the acceptable proposal to add the suffix "(Aus)" to the designation to indicate its Australian antecedents (Graham, 1978: 7). The use of "South Africa" in the South African Designation Act of 1927 neutralised similar criticism in South Africa and was

first suggested in the 1924 Select Committee considering the second Accountants Bill (SC7, 1924: Q875) as previously mentioned. A more serious objection emanated from the Incorporated Institute of Accountants, Victoria, in the new body comprising of public accountants only. This exclusionary policy was similar to the standpoint of the Four Societies in South Africa in both 1913 and 1924/5.

In contrast, the New Zealand response had been to make its process as inclusive as possible.

In part, the opposition of the Victorians arose from the fact that they were Incorporated Accountants. A Royal Charter together with the "Chartered Accountant" designation would eclipse their qualification (Graham, 1978: 8) – and hence popularity – as an accounting society. The Incorporateds also took the line that, as Australia had responsible government, its Government should legislate for the accountancy profession, and not some "archaic and out of date" process (Brentnall quoted in Graham, 1978: 8).

COMPROMISE

Some form of compromise was needed but the Great War of 1914–8 put the process on hold until 1925 when a conference was held between the Presidents of the Commonwealth and the Federal Institutes of Accountants in Australia. Its objective was to clear the way forward to the award of the Royal Charter and a compromise was achieved by the Presidents with the ACPA in February 1926, later to be known as "the gentleman's agreement" (Graham, 1978: 8–9). In terms of this agreement:

- qualified members of the Commonwealth Institute were to be admitted to membership of the chartered body provided they were of "reputable character" and met any of the charter's requirements regarding service and/or experience; and
- the first council would comprise equal membership drawn from the Corporation and Commonwealth Institute, the latter spread over the Australian States in a show of unity.

There were points of similarity with the South African Pearce Agreement, notably compromise to get the process moving in a positive direction, but the Pearce proposal dealt with small numbers which had little real impact on the process.

The Australian compromise was more substantial and enduring and in June 1928, King George V granted the Royal Charter which constituted the Institute of Chartered Accountants in Australia.

The Australians succeeded where the South Africans failed for a number of reasons, specifically: a prior degree of unity in the profession through the establishment of the ACPA before it was decided to seek a Royal Charter; a willingness by most participants to compromise, especially after 1918; and the clear, sound leadership of key ACPA officials like Thomas Brentnall, one-time President of the ACPA and first President of the Institute (1928–32), Sir George Mason Allard, second President of the Institute (1932–41) and FN Yarwood, a prime mover in the establishment of ACPA and in promoting the Charter and all it meant to the Australian profession.

The South African *dramatis personae* – apart from their Parliamentary Agents and legal counsel – were less obvious in the drive to a formal status for the South African profession than the Australians were in theirs.

In another dominion of empire – Canada – membership of accounting societies was voluntary and the designation "chartered" was awarded by provincial legislature at their discretion and without infringing upon the rights of others to practise as accountants in that province (SC7, 1924: Q947–51). In Canada, for an accountant to call himself "Chartered", all he need do was pay membership fees to an accounting society recognised by a provincial legislature (Graham, 1978: 4).

The case against the Canadians is perhaps overstated. In his article on "Canada's Accounting Elite 1880–1930", Alan J Richardson makes the following points:

> Elitism was associated with privileges granted to accountants by society at large. In return accountants had a responsibility to act in the interests of society. (Richardon, 1989: 1–2)

The elite group identified by Richardson comprised 79 accountants in total, as follows:

CAs (23 FCAs)	66
Society of Accountants and Auditors	1
Corporation of Public Accountants of the Province of Quebec	1
No professional attachment discernible	11
TOTAL:	79

Clearly, chartered accountants predominated.

Richardson (1989: 7–8) discovered that the accounting elite had a lower proportion of native-born Canadians (57.5%) compared to a total native-born population of 77.6%. The accounting elite also showed an "unusually high proportion of individuals born in Great Britain (England, Scotland and Ireland)" (1989: 7). One would expect this figure with regard to British-trained chartered accountants looking for opportunities beyond the metropole.

Serious accounting education in Canada was available in its universities from 1913 onwards and the state granted accounting associations "the right to certify the competence of their members" (Richardson, 1989: 13).

It is therefore clear that the designation was not easily awarded internationally – before the South African Select Committee of 1924, it was estimated that there were 12 accounting societies throughout the Empire which were permitted to designate their members as chartered accountants, five United Kingdom societies and seven Canadian (SC7, 1924: Q1414–5).

THE AUSTRALIAN CHARTER OF 1928

The Charter was a relatively short document of 24 pages including an eight-page preamble with a further seven pages of index, giving it a total of 31 pages. Despite its relative simplicity of presentation and language, the Charter was an important document as it represents the bench-mark standard in 1928 for such forms of association. In comparison, the two-page South African Designation Private Act of 1927 was the simple legal award of the designation "chartered" by and to a limited

stratum of the South African accounting profession. Any details – such as a national controlling society or institute to regulate the accounting profession – were left to a future Act, a decision which left the profession in uncertainty until 1951. The Australian Charter reflected the care put into its genesis.

The first paragraph of the preamble noted the wide acceptance and existence throughout Australia since 1907 of the Australasian Corporation of Public Accountants and its membership of 636 "persons engaged in the profession of Public Accountants" (Charter, 1928: 4). This also meant that all other "accountants" not specifically "public" – municipal, Government and bookkeeper – had had 21 years to get used to the idea of the differential nature of the Australian accounting profession and their exclusion from its highest level. In 1928, this was a significant membership; in South Africa, the equivalent was about 1 000, but spread over five societies. By 1978, the number of Australian chartered accountants had risen to nearly 10 000 (Graham, 1978: 135).

As previously demonstrated, the New Zealand and South African experiences were different. The former allowed accountants from all strata of practice into a national Institute which spent over 20 years sorting out the resultant problems, while the promoters of the 1924 South African Bill found themselves embroiled in the House of Assembly in a disagreement over membership of the proposed society with a newly influential Labour Party. Labour wanted an all-inclusive approach like in New Zealand, whereas the promoters favoured the Australian selective approach but had failed to establish the necessary foundation over time for this to happen.

The second paragraph of the Charter preamble noted the "great and growing importance" (Charter, 1928: 4) of Public Accountants in liquidations, bankruptcies, insolvencies, audits, certification of the accounts of public companies and "various other kindred matters" (Charter, 1928: 4). There is a strong similarity between this detail and the detail contained in the 1927 Rhodes University College calendar entry for the South African Degree of Bachelor of Commerce (Calendar, 1927: 51–3). There was a clear alignment testifying to the widespread nature of the matter of accounting.

The third and fourth paragraphs of the preamble represent the crux of the Charter – the ACPA had been established

> "to secure the elevation of the profession of Public Accountants by the dissemination of professional knowledge and in inculcation of sound practice, and to increase the confidence of the banking, mercantile and general community in the employment of recognised Public Accountants, and to afford means of reference for the amicable settlement of professional differences and to decide upon questions of professional usage and etiquette and for other kindred meritorious objects and ends" (Charter, 1928: 4–5).

The award of the Charter recognised these facts, constituting public recognition at the highest level of society which, it was argued, would raise the profession in the public eye.

INITIAL MEMBERSHIP AND ARTICLES

The preamble dealt generally with two levels of membership – first time admission to the new Institute of Chartered Accountants in Australia and those seeking admission subsequent to the inauguration of the Institute. The former was dealt with simply – membership of those already in public accounting would be granted if the applicant had:

- long experience in the profession;
- long service as a public accountant's clerk; and
- passed the appropriate examination.

The latter required a combined period of three years under articles of clerkship and the successful completion of a series of three examinations – preliminary, intermediate and final. A remission of one year was available to graduates of "recognised universities within the British Dominions" (Charter, 1928: 6). The preamble also listed a number of subjects in which articled clerks were expected to show proficiency. Again this list is very similar to the 1927 Rhodes University curriculum for the degree of Bachelor of Commerce.

THE COUNCIL OF THE CHARTERED INSTITUTE

The Charter itself comprised 28 paragraphs and the first three dealt with the composition of the Institute's Council and its first incumbents. Unlike the New Zealand and South African proposals of a delegated provisional council to oversee the process and then to be replaced later by an elected body, the Australian Charter presented a council *fait accompli*. This had clearly been orchestrated by the Charter's petitioners and would have reflected the *status quo* within the ACPA. The Charter was a private initiative of the petitioners to George V in his role as King of Australia and did not involve the Australian Parliament directly, providing the King operated within his powers and protocol was observed. A similar attempt by South African petitioners in a sensitive post Anglo-Boer War environment, would probably not succeed. Recent research by Michael G Keenan of the University of Auckland into the New Zealand Act suggests a similar antipathy to the award of the designation by a metropolitan centre as distinct from the designation "chartered accountant" itself.

The Council was:

- entrusted with the "management and superintendence of the affairs of the Institute" (Charter, 1928: 14–5) subject to its members' approval in General Meeting, its by-laws and the provisions of the Charter which could itself be amended by supplemental Charters;
- required within 12 months of the Charter's date to call the first General Meeting and to submit draft by-laws for approval (Charter, 1928: 21–2) with final approval by the King's representatives; and
- directed to make by-laws to regulate, for example:
    - the admission of Associates and the election of Fellows;
    - fees for initial entrance – initially 10 guineas for Fellows and 4 for Associates – and annual subscriptions of 4 guineas for Fellows and 2½ for Associates (Charter, 1928: 17) (the South African equivalent was 5 guineas, and had created a storm in 1913 – see chapter 6);
    - the holding of members' meetings;
    - the filling of vacancies on Council;
    - the appointment of auditors; and
    - the service of clerks, articled or not, and members.

THE FUNDAMENTAL RULES AND THE BY-LAWS

The by-laws were supplemented by four rules known as the "fundamental rules of the Institute" (Charter, 1928: 19). These represent the genesis of a code of ethics and were very similar in content to Section 23 of the 1924 South African Bill. The Australian rules outlawed members of the Institute

- from joining non-members in public practice;
- from sharing profits from professional work with lawyers or participating in a lawyer's professional profits or accepting any commission or bonus;
- from accepting a commission or a bonus from brokers, agents etc., charged with the selling or letting of real or personal property to which the member had a professional connection, such as its management. This latter rule was expanded to include members not practising as public accountants; any business in which they became involved could not be "inconsistent" with the activities of the profession.

Section 20 of the Charter listed the circumstances which could lead to a member's exclusion or suspension. These included violation of the rules, conviction of a felony, bankruptcy and failure to pay the Institute's entrance and annual subscription fees. The Council of the Institute was charged with investing such sales and making a decision. This is in contrast to the complex disciplinary system proposed in both the 1913 and 1924 South African Bill. But, in common with South Africa, the question of what was to be in the Australian by-laws, beyond the requirements of the Charter, proved vexatious (Graham, 1978: 17–20). The purpose of the by-laws was sketched in the Charter at Section 25, the actual detail being left to the first Council to propose and navigate through the system.

ASSOCIATES AND FELLOWS

While the existence of the ACPA did much to ensure a smooth transfer of membership to the Institute, the Charter dealt carefully with the issue of Associates and Fellows, a form of recognised seniority in the profession, much favoured by the United Kingdom Societies. The 1927 South African Designation Act made provision for their use, but the idea never caught on in South Africa.

Firstly, those Associates or Fellows of the ACPA at the time of the Charter remained so on transfer (Charter, 1928: 11–3) to the new Society. The Council was also empowered to admit to the new Australian Society those who were members of recognised associations of public accountants "in the United Kingdom or elsewhere in the British Empire".

In many respects the Royal Charter constituting the Institute of Chartered Accountants in Australia was superficially similar to the South African Bills of 1913 and 1924. For example, the first meeting of the Council was stipulated to occur within six months of the receipt of the Charter. The South African Bills stipulated 12 months, and this suggests common draughtsmanship or similar ideas prevailing at the time.

Per Section 11 in the Charter, Council was empowered to exercise all powers granted by the Charter as modified by the by-laws, and any resolutions passed at a general meeting. Section 12 dealt with service under Articles of Clerkship. As previously mentioned, a minimum period of three years of articles was stipulated for those serving under a Public Accountant, and two years for graduates of an Australian University or of a recognised university within the British dominions.

These stipulations were in line with counterparts in both the United Kingdom and South Africa. In theory, a graduate from the University of South Africa or Rhodes University College could sign articles in Australia and expect to serve two years' articles.

Section 13 dealt with examinations in some detail, an indication of the importance of this activity. It is interesting to note that the Australian Institute placed significant importance on examinations and practical training. These had been the consistent mainstays of the policy of the four South African societies, and were to be carried forward into the 1951 South African Act.

Section 14 dealt with the election of fellows and associates to the Institute, while Section 17 allowed members certain initials, e.g. FCA (Aust.) which represented the words "Fellow of the Institute of Chartered Accountants (Australia)". Section 15 dealt with registration fees: 10 guineas for Fellows, Associates in practice 4 guineas and 1 guinea if not in practice. Section 16 provided for each member in good standing to

receive a Certificate of Membership. It is an interesting fact, common to both the South African Bills and the Australian Charter, that the sections do not always seem to follow a logical sequence. For example, Sections 14 and 17 deal with Fellows and Associates, and between these, Sections 15–6 deal respectively with entrance fees and by-laws for Fellows.

As with the South African Bills, members ceasing to be members had no claim on the funds and the property. Sections 23 and 24 dealt respectively with Council's power to create by-laws and, within 12 months of the commencement of the Charter, to send copies to members prior to the calling of a general meeting to formally adopt them. Section 25 was particularly important in that it provided general guidance as to the subject matter and purposes of the by-laws.

As an acknowledgement of its origins, the Institute's by-laws had no effect until submitted to, and allowed by, the "Lords of our Council".

The Australian Charter was dated 19 June 1928.

CONCLUSION

With regard to the failure of the 1924 Bill in South Africa, it is apposite to quote from an anonymous letter to the Transvaal Society of Accountants, dated 19 November 1925. The writer alluded to the "vexed question" as to who should, and who should not, be eligible for a place on the Register. "Modifications" had been made in the hope they would satisfy the "determined opposition to the Bill in the House of Assembly". Compromises made represented "a serious departure from our standard and ideals and indeed even our principles", but these were

> "utterly futile as the activities of the opposition showed no abatement. From all I can gather the members of the Government have extended a rare sympathy to the Bill. Every assistance was rendered to the Promoters and to the Opposition to ensure the passing of the measure, but the prolonged discussions without result compelled the Government finally to refuse further facilities for discussion" (SAAHC, TSA, Minutes: 290).

Chapter 8 has dealt with the failure of the 1924–5 South African Bill and the success of the Australian Charter. From the point of view of institutional economics, political rules can lead to economic benefits, for example, the creation and enforcement of property rights and individual contracts which are detailed and upheld by the process of "political decision-making". This is apparent in the Australian experience where economic benefits were rewarded by a political process in which contracts and property rights were both important and enforced.

In turn, economic interests impact upon political structures where "in equilibrium, a given structure of property rights (and their enforcement) will be consistent with a particular set of political rules (and their enforcement)" (North, 1990: 48). This is the case of the failed Accountants Bill of 1924 where the rights of public servants and those of the Four Societies were balanced by the political rules which enforced behaviour in the House of Assembly. As North (1990: 48) points out, "changes in one [that is: economic interests and political rules] will induce changes in the other". However, political rules are dominant. In simple terms, the Accountants Bill was a good idea economically, but was trumped by Labour as a result of their political clout in the Pact Government.

In many ways, the South African promoters of the Bill were disappointed at its failure. However, the energy unleashed by the Pact Government in creating an industrial infrastructure, had already set the ball rolling to create a uniform regulation of companies throughout the Union. The lifeline extended to the Four Societies, whether intentional or not, was that all companies registered in the Union needed to be audited by competent and qualified individuals. This was essential if South Africa's economy was to be safe for investors to invest in this expansion. Accountants were back in the limelight.

CHAPTER 9: THE COMPANIES ACT OF 1926: AN ALTERNATIVE ROUTE

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CHAPTER 9: THE COMPANIES ACT OF 1926: AN ALTERNATIVE ROUTE

INTRODUCTION

THE FOUR SOCIETIES

The enactment in 1926 of the South African Companies Act is testimony to two critical facts – increased economic activity (Feinstein, 2005: 121–7) and the need to regulate it by more sophisticated Union-wide corporate legislation. This Act falls mid-way between the final disappearance in 1925 of the South African Society of Accountants (Private) Bill and the passage of the Chartered Accountants' Designation (Private) Bill which became law in 1927. That these three events are linked in this way is far from coincidental. The Designation Act specifically accorded to the members of the Transvaal Society of Accountants, the Natal Society of Accountants, the Cape Society of Accountants and Auditors (incorporated 1907) and the Society of Accountants and Auditors in the Orange Free State an entitlement to use the designation "Chartered Accountant (South Africa)" and "CA(SA)". The reason for this statutory entitlement was given in the Designation Act and represented recognition of the fact that the Four Societies together had cooperated to allow "reciprocal admission to membership, qualification for admission to membership and the conduct of examinations" (*SA Statutes*, Vol. 1, 1927: 108) of prospective accountants. These combined actions had created a large body of highly qualified individuals "throughout the Union possessing a status warranting the conferring upon the individual members of the said Societies of a statutory designation" (*SA Statutes*, Vol. 1, 1927: 108).

THE ENHANCED ROLE OF THE PUBLIC AUDITOR

In the previous year, 1926, the Union Parliament had passed the Companies Act No. 46 of 1926 which, among other things, attempted to supersede all other forms of company legislation and made it compulsory for all companies throughout South Africa to appoint an auditor (*SA Statutes*, 1926: 630 (s98(1)). For the first time in the Union of South Africa, this Act formally established the statutory duties of the auditor. They were as follows:

> "The auditors shall make a report to the shareholders on the accounts examined by them, and on every balance-sheet laid before the company in general meeting during their tenure of office, and the report shall state –
>
> (a) whether or not they have obtained all the information and explanations they have required;
> (b) whether the company has kept proper books and records; and
> (c) whether, in their opinion, the balance-sheet referred to in the report is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of their information and the explanations given to them, and as shown by the books of the company.
>
> The balance-sheet shall be signed on behalf of the board by two of the directors of the company or, if there is only one director, by that director, and the auditors' report shall be attached to the balance-sheet, or there shall be inserted at the foot of the balance-sheet a reference to the report, and the report shall be read before the company in general meeting, and shall be open to inspection by any shareholder." (*SA Statutes*, 1926: 632 (s99)).

At the stroke of a pen, the legislature ensured the creation of watch-dogs in the economy as well as enhanced job opportunities for qualified individuals. The enactments of 1926 and 1927 put the four Provincial Societies in a strong position as the respected designation of Chartered Accountant made such individuals ideally suited to perform the function of a public auditor. A number of points need to be made here.

Firstly, and in broad terms, North (1990: 48) makes the point for institutional economics that is evident here:

> "political rules in place lead to economic rules … [T]hat is property rights and individual contracts are specified and enforced by political decision-making".

Secondly, the 1926 Companies Act contained elements which had been carefully tailored to South African conditions, principally dealing with liquidators' accounts and insolvent companies (Nathan, 1927: Preface). As a result, the education and training of

future South African accountants and auditors would need to take this into account while accountants and auditors who had received their training elsewhere would lack the knowledge and experience to deal with South African conditions. Other elements had been transferred from the English Act without careful cognisance of that Act's sophistication and the pivotal role played by the English Board of Trade. South African attempts to equate its role to the Minister, Registrar or Master of the Supreme Court were mixed in their success (GP45, 1970: 5).

Another point relates to the extended definition of the "auditors' duties", beyond those detailed in the 1926 Act, which was informed by case law, most of it English. For example, an auditor appointed in terms of a company's regulations needed to take cognisance of those regulations, but not to the extent that they conflicted with the provisions of the 1926 Act (*Newton v Birmingham Small Arms Co.* [1906] 2 Ch. 378, quoted in Nathan, 1927: 235–6).

When the auditors declared the balance sheet to present a true view of the company's affairs, but it did not and damage resulted, the onus was upon the auditors to prove that such was not as a result of lapsed duty on their part (*In Republic of Bolivia Exploration Syndicate Ltd* [1914] 1 Ch. 139, quoted in Nathan, 1927: 236). This relates to an auditor's liability, long an issue of concern.

As late as June 1960, the profession's journal, *The South African Chartered Accountant*, carried a weighty 19-page "Opinion by Counsel on an Auditing Liability for Negligence" (501–20). The basic opinion was that the auditor had a duty to report but incurred liability if the report was made negligently.

In *re London and General Bank* [1895] 2 Ch. 673, LJ Lindley (quoted in Nathan, 1927: 236) gave a clear indication of what comprised an auditor's duties and what did not. It was not an auditor's duty, for example, to give advice to directors or shareholders, a principle which is in line with modern audit practice. However, the observation that it was not an auditor's duty to be concerned with a client company's dividend declaration was out of step with the modern requirement that such a distribution leave a company solvent and liquid thereafter (SA Companies Act, 2008: s46). Clearly, the auditor

needed to take reasonable care that the company's books reflected the state of its affairs (see *Leeds Estate Co. v Shepherd* [1886] 36 Ch. D 787 (quoted in Nathan, 1927: 237)).

The 1926 Act formalised the auditor's statutory duty in South Africa. As early as 1924 – before the Select Committee on the Accountants' Private Bill – it had been established that the audit function was growing as "all the leading firms" in the Orange Free State required an audit (SC7, 1924: Q1096). The passage of the Companies Act was thus both necessary and timeous. Of importance, too, was that the company envisaged by the Act had liability limited to its share capital.

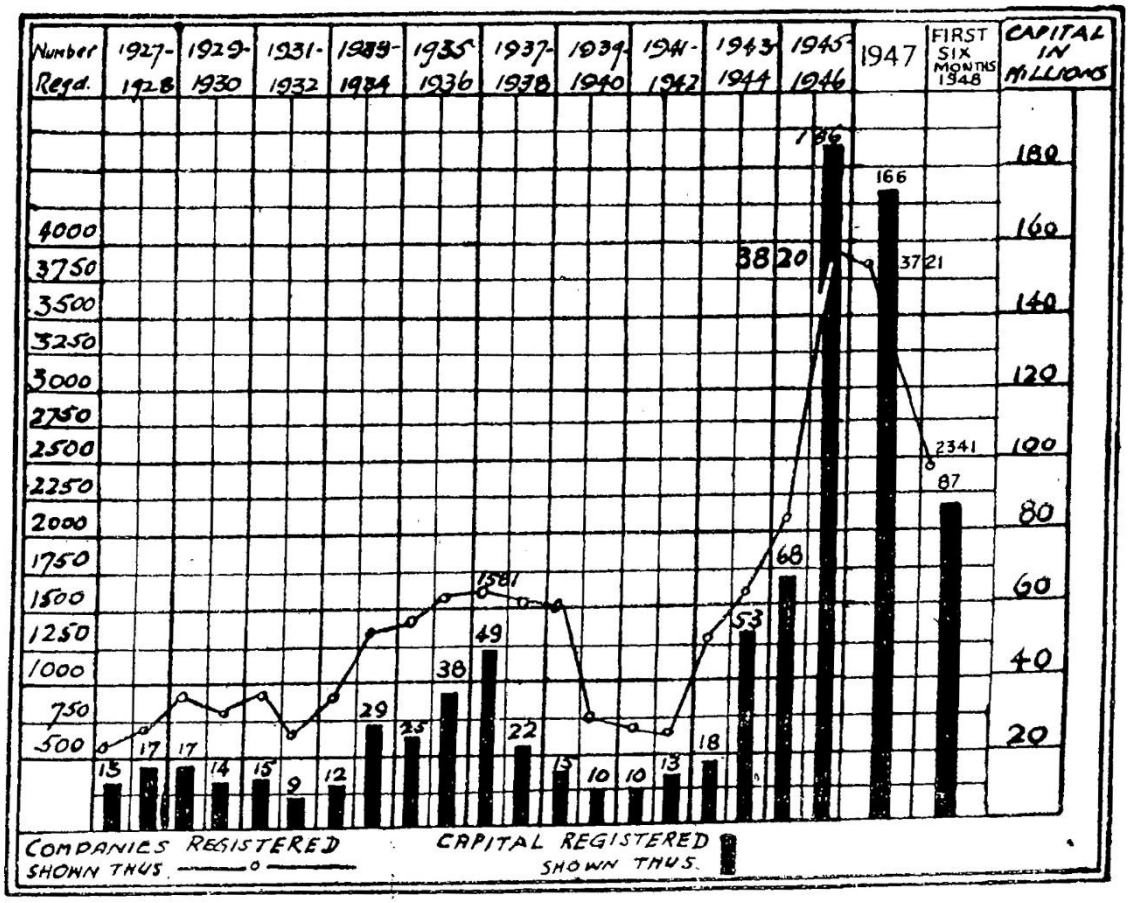
Before considering various aspects of the passage of the Act, some background is needed. Prior to 1926, the English Companies Act of 1862, as amended, held informal sway over much of Southern Africa and served as the blueprint for the Transvaal Act of 1909, which in turn influenced the watershed first Union-wide Companies Act enacted in 1926.

The 1947–8 final report of the Millin Company Law Amendment Enquiry Commission – one of several since 1934 – contained a graph prepared by the Register of Companies covering the period 1927–48 showing, in general terms:

- the number of new companies registered in each year; and
- the amount of new capital registered in each year, including capital increases by companies already on the register.

FIGURE 9.1

"Graph prepared by the Registrar of Companies showing the number of new companies registered in each year since 1927–28, and the new capital registered in each year, including increases [in] capital by companies already on the register. The first six months of 1948 are included."



Source: Millin, 1948: 17.

The graph has been included (see above) and supports the following:

- In the period 1927–48, company registration increased significantly, underlining an increase in economic activity;
- In 1935, at the end of the Great Depression, there were 7 852 companies on the register, of which 6 375 were private companies and 1 477 public companies;
- These were ordinary trading companies; in addition, 191 companies were associations not for gain and seven were unlimited companies;

- According to the Registrar's statement of July 1948, there were then about 32 000 companies on the register;
- The rate of increase is shown by the fact that whereas a total of 619 new companies were registered in 1927, the number of new companies registered in 1937 was 1 575 and in 1947, 3 721;
- The high-water mark was reached in 1945–6, with 3 820 new companies and new registered capital of £186 000 000;
- The figures were well maintained in the first six months of 1948, with 2 341 new companies and new registered capital of £87 000 000; and lastly
- Public and private companies were not separately classified in the Companies Offices but by July 1948 there were registered an estimated 7 500 public companies and 24 500 private companies. If this estimate is correct, there were far more public companies in proportion to private companies in the Union than in the United Kingdom, where, in 1947, there were about 18 000 private companies compared with 17 000 public companies (Millin, 1948: 17).

The Millin Report (UG69, 1948) was an important document, but it too failed to grasp the uniqueness of South African conditions and sought to determine how far amendments in English law could be incorporated in South African Companies law. CS Richards, editor of the *South African Journal of Economics*, wrote a review article on the Millin Report for this journal's September 1949 edition.

He concluded:

> "A new Companies Act, moulded on the lines suggested, can lay improved foundations and an improved superstructure for the conduct of affairs. Its more effective functioning depends finally, however, on the extent to which the individual investor and shareholder takes advantage and makes use of the improved facilities and the new rights."

In reality, practice often outstripped law.

THE ACT AND THE MINES

One purpose of the Companies Act was to ensure a uniform approach to company administration across the four provinces, another to keep a check "on bogus companies and all kinds of irregular practices" according to NJ de Wet, the Minister of Justice in February 1924 (USA, HA Debates, Vol. 1, 21/2/1924: 406). A further reason was given in the House in 1926 when Major GB van Zyl, the SAP member for Cape Town (Harbour), stated that the purpose of registering companies union-wide was so that their important details could be known to the public who needed "every possible facility for getting the latest authentic information in order to guide their investments" (USA, HA Debates, Vol. 6, 25/2/1926: 978). It was important to ensure that companies, especially the gold mining companies – and their declared profits – were subject to a degree of public scrutiny.

Gold mining was a critical activity in the South African economy but its largely foreign ownership was deeply mistrusted, a sentiment evidenced in the debates in the House in this period. The value of total gold output for 1913 amounted to £37 376 000; by 1937 it had increased to £82 557 000 (Frankel, 1938: 114). Two years before, in 1935, the South African tax on gold-mining income per percentage of taxable profit was 42%. Comparatively, the tax rates in Australia, Canada and Rhodesia were respectively 18%, 13–9% and 23% (Frankel, 1938: 113). While the net profit attributable to the industry had increased by 96% in the period 1913–37, dividends paid in the same period had increased by 103% and taxation by 1 091% (Frankel, 1938: 83).

A financial analysis of all gold mines on the Witwatersrand in 1936 quoted in Frankel revealed the following broad financial statement line items:

TABLE 9.1

FINANCIAL ANALYSIS OF GOLD MINES ON THE WITWATERSRAND, 1936

Rand gold production	£77 367 000
Declared working costs	45 318 000
Working profits	£32 049 000
Additional sundry revenue	430 000
Gross profits	£32 479 000
Capital expenditures, appropriated from profits and not provided by capital funds	1 350 000
	£31 129 000
Less taxation and Government participation in Lease Mines	13 800 000
	£17 329 000
Provision on account of outstanding liability under the Miners' Phthisis Act, and miscellaneous	300 000
Available for dividends	£17 029 000
Rand dividend declarations	£16 927 000

Source: Frankel, 1938: 86.

While Frankel drew the conclusions 12 years after the enactment of 1926, they had relevance to the earlier period, as follows.

1. The level of new investment in South Africa possible from foreign investors (Frankel, 1938: 75) was influenced by the value of the dividends received from past investments, especially as it was believed that mining dividends "represent not only net profits, but include also the return of the original capital subscribed" (Frankel, 1938: 78). Capital for new projects came from a small group of investors; failing their participation, expansion had to be funded from profits. This point is illustrated in Table 9.1 above.

2. South Africa needed to generate revenue from sources other than gold mining. At the time of the analysis, Frankel believed that the Government used tax revenues derived from gold mining to support other activities unable to contribute to the gross domestic product. He regarded this subsidisation as both uneconomical and obfuscatory to the real problems facing the South African economy (Frankel, 1938: 111). Interestingly, Feinstein established that much of the revenue Government derived from the gold mines went to subsidise white commercial farmers with "relief grants, capital works and loans" (Feinstein, 2005: 108).

By subjecting foreign companies, notably the mining companies, to public audit, Parliament sought some form of transparency in their financial affairs. There was never any doubt that the Companies Act was Government-sponsored legislation with the intention of regulating aspects of the economy, the watch-dog had been given teeth. For mining companies registered in countries other than South Africa but operating in the Union, disclosure of this was in terms of Chapters 5 and 6 of the Act. Again, the intention was to oblige foreign companies to identify themselves as such and to provide information like their articles, memorandum of association and details of the directorate.

THE BEGINNING: 1923

For a piece of legislation with great commercial significance, the debate in the House on the Companies Bill was often parochial with provincial issues brought to the fore. These issues often masked power plays of significance. An understanding of these issues, however, is necessary so as to put the Bill in the context in which the accounting profession functioned. The process was complicated by the fact that when members of the House entered a debate on a specific issue, they often used the occasion to voice their opinions on other topics, sometimes of a related nature other times not. Much of this "alternative debate" is important for an understanding of the issues underpinning the main issues. The result is a mass of detail which is often difficult to extricate in context. The method chosen in this thesis is to deal with the main issues in an aggregated manner under specific headings but to retain the "alternative debate" on a "member said" basis, thereby maintaining the personalised nature of such comments.

As the South African Bill was based on the English Act, much of the technical detail was not contentious and was accepted without much comment. The English Act would prove a poor fit, needing constant amendment to deal with a rapidly expanding South African economy. It also was a fact that the English had spent much of the 19th Century experimenting with various companies acts, and their application in a geographically small country was not difficult.

A chronology of the Companies Bill begins in 1923 when the Smuts Government introduced it into the House of Assembly and it was sent to a select committee. The Bill was thus put into process almost a year before the Accountants' Registration Bill in February 1924. This is important as it means the Four Societies could hold to the Accountants Bill with little need to compromise – there was an alternative route. The Companies Committee met between February and May 1923 and submitted a report on the Companies Bill to the House of Assembly on 16 May, recommending it "with certain amendments" (SC14, 1923, Proceedings: iii).

The Bill lapsed thereafter with the ending of Parliament's sitting for 1923, but it was back on the order of proceedings for the House-in-Committee in the first session of 1924. The Bill was debated on 21 and 25 February where provincialism reared its head as members criticised the idea of a centralised company's office. NJ de Wet, responded: "The business of company registration is conducted in the three other provinces except the Transvaal where it is a sideshow by the Registrar of Deeds. The Acts are very ineffective" (USA, HA Debates, Vol. 1, 21/2/1924: 406). A centralised system would be better, both in the view of the SAP and Nationalists. Individuals, mainly within the SAP, were opposed to it.

On 28 February 1924 the Bill was reported – with amendments – and set down for further debate on 6 March. This debate never happened.

INTERRUPTION: THE GENERAL ELECTION OF 1924

Parliament was prorogued on 10 April in anticipation of a General Election precipitated by the SAP's loss of the previously "safe" seat of Wakkerstroom in the Eastern Transvaal (as mentioned earlier). At this final session of Parliament in 1924, Dr DF Malan, the Cape leader of the National Party, wished members "many happy returns"

(USA, HA Debates, Vol. 1, 10/4/1924: 1407). In the Pact Government of 1924–9, Malan came back as the Minister of the Interior, Education and Public Health. Smuts was relegated to the political wilderness until 1933.

THE COMPANIES BILL: KEY ISSUES

The Companies Bill re-emerged in early 1926 and the new Minister of Justice and the Transvaal leader of the National Party, Tielman Roos, took charge of guiding it through the House as quickly as possible. Clearly the Pact saw the importance of the Bill as the SAP had. Before the House on 25 February, Roos pointed out that the Bill before it was "largely based on the English Act and upon the Transvaal Companies Act of 1909 which in itself was based on the English Act" (USA, HA Debates, Vol. 6, 25/2/1926: 973). He pointed out that the position in the other South African provinces was that the Cape had "a fairly satisfactory Act" but with little control after registration while little existed in either Natal or the Orange Free State and new legislation was needed. There were a number of issues around which debate coalesced. The debates also covered a variety of financial issues which also give a perspective upon the technical issues facing the accounting profession in 1926.

ISSUE 1: THE LOCATION OF THE COMPANIES REGISTRATION OFFICE

That the Bill would be more comprehensive than anything then in existence is testified to in a letter to the Minister of Justice, who had responsibility for the Bill, from the Registrar of Deeds in Cape Town. The Registrar wrote:

> "The present company registration work is insignificant but the work under the new Bill would be very considerable … and will require additional staff for which no accommodation can be found in my office which is insufficient for the needs of the deeds registration staff" (USA, HA Debates, Vol. 6, 25/2/1926: 973).

The Registrar continued,

> "the Bill contemplates a very close complete control of the affairs of companies. The principle of the Bill is widely at variance with the present company laws.

> Some of the new provisions will constitute an entirely new departure from present day practice" (USA, HA Debates, Vol. 6, 25/2/1926: 975).

The Minister explained that there was no intention to add the duties of the Registrar of Companies to the Deeds Office as they had nothing in common. He pointed out that important duties were assigned in the Bill to the new Registrar and his staff. They needed a competent knowledge of law and company practice and if the process was "run as a sideshow, it would result in laxity which would defeat the object of the Bill" (USA, HA Debates, Vol. 6, 25/2/1926: 976). The Minister continued that, since the passage of the 1909 Transvaal Companies Act, "most of the companies in the Transvaal have been registered in the Orange Free State – and a large number of companies which are not those upon which we look with much favour" (USA, HA Debates, Vol. 6, 25/2/1926: 977). In the Minister's opinion, these facts suggested improper if not illegal activity and indicated clearly the need for one central office to administer the envisaged Act which would also result in a common practice and savings on a system of four provincial registries. A central office had been the goal of his SAP predecessor, NJ de Wet when, in 1924, he had declared to the House that the proposal "was for a central registry office, wherever it is placed I do not mind" (USA, HA Debates, Vol. 6, 21/2/1924: 406).

Major GB van Zyl, the SAP member for Cape Town (Harbour), pointed out the original Bill had occupied nearly three months tied in the Select Committee where two points of view predominated – those that favoured separate registries in each province and those that wanted one central registry. The result was an amendment to the Bill which proposed the establishment of a central companies registry in Pretoria and three provincial registries, one each in Cape Town, Pietermaritzburg and Bloemfontein and all under "a certain measure of control" (USA, HA Debates, Vol. 6, 25/2/1926: 976) from Pretoria. This seems to have satisfied Anglo-Afrikaner sensitivities but there were other factors at play. Van Zyl continued by saying that this compromise was not only carried by the Select Committee but also by the Committee-of-the-Whole-House, where five of the 11 Government ministers present voted for the amendment. He pointed out that in a centralised system there would be a delay in registering companies, but more importantly there would be a delay in transferring deeds and mortgage bonds and raising money on debentures. Roos had indicated earlier in the debate that a

decentralised system would mean "an increase of expense to the country of £4 000" (USA, HA Debates, Vol. 6, 25/2/1024: 974). The matter was thus open to renegotiation. The issue had economic implications as the location which won the Office would also secure a coterie of lawyers and their staff to service the customers of the Office. Such professionals would generate income for the local economy in the form of rent, rates and living costs.

Often underlying the apparent parochialism was hard fact. RW Close, SAP member for Rondebosh, pointed out that the Bill before the House did not include the amendment made by the Select Committee of 1923 of a central office in Pretoria and three provincial registries, one in each of the provinces. Two reasons had been given in opposition to this, namely expense and a concern about the possibility of divergence in practice across the Provinces. The Select Committee of 1923 had believed the latter bearable if the then current system of provincial registries were kept and Close questioned how a Government figure of £4 000 extra to fund separate offices had been calculated. He also pointed out that the Bill, while also putting a stop "to a good deal of company-managing that [had] been going on under the various laws of the provinces" (USA, HA Debates, Vol. 6, 25/2/1926: 990), must result in extra expenditure if the convenience of the public so required.

The second point – of a variance in procedure across offices – had been met by the Select Committee's idea of a central office in Pretoria with a complete record of all company work in the Union. This office would also be responsible for ensuring uniformity of practice across the provinces and the Bill made provision for the framing of regulations for the practice and procedure of the various offices. This was already the case with land registrations. But Close pointed out that "the real effect of the change proposed by the Bill [to centralise the process] would be that the public would be put to a good deal more expense" (USA, HA Debates, Vol. 6, 25/2/1926: 990). This was one of Close's last political appearances, having first come to the fore as a proponent of the 1913 Accountants Bill.

Stuttaford, the SAP member for Newlands, agreed and pointed out that because South Africa was large and communication difficult, the time involved in using a centralised office would result "in considerable loss to many companies when they are trying to

carry through some transaction in which time is of the greatest moment" (USA, HA Debates, Vol. 6, 25/2/1926: 991). As an example of delay, Stuttaford pointed out that it had taken 58 days "to get a small refund from the north" from the South African Railways head office in Pretoria.

The essence of a new amendment on offices from van Zyl was encapsulated in a series of points designed to give status to each Province. In detail, van Zyl's amendment to a centralised office was as follows:

1. A central Companies Registry established in Pretoria.

2. Provincial Companies Registries established in Cape Town, Pietermaritzburg and Bloemfontein. At each of these provincial locations their Registrar of Deeds would also, where possible, fulfil the duties of Provincial Registrar of Companies. This was clearly at odds with the Minister of Justice's desire for a dedicated company's office, the principal points being:

    - The appointment of a full-time Registrar of Companies for the Union together with other clerks and officers as were necessary;
    - The Provincial Registrars were to carry out the powers and functions of the Registrar, subject to any regulations but could not register any company or change of company name until the central Registrar certified that no objection existed;
    - The duties of the Registrar and the Provincial Registrars were to be subjected to regulations made by the Governor-General; and
    - There was to be a general centralisation of company registrations in the offices of the Provincial Registries together with any staff who, prior to the passing of the Act, were employed in such activities.
    - Within 90 days of the commencement of the Act, all companies registered in Natal, the Cape or the Orange Free State were to send certified copies of their memorandum and articles of association to the appropriate provincial Registrars for transmission to the Registrar in Pretoria. Thereafter, Provincial Registrars were to continue to provide these documents to the

> Registrar, appropriately certified, on current registrations (USA, Debates, Vol. 6, 24/3/1926: 1939–40).

Considerable power was thus kept at provincial level, and thereby denied as patronage to the Pact Government. It also complicated a relatively simple exercise.
Van Zyl referred to the 1918 Commission on Companies in England which recommended, for public convenience, the need for more than one registry office and with the Board of Trade empowered to establish new registries. Similarly in Canada, Australia and the United States of America there were registries in every state.

With regard to expense, van Zyl pointed out that substantial revenue was generated by the stamp duty raised on the current system of company registration. Stamp duty for 1920, 1921 and 1922 amounted to £40 091, £38 040 and £40 091 respectively. He also pointed out that share capital duty paid at the Deeds Office in Cape Town in the above years amounted to £67 053, while in Natal the amount was £18 952, the Transvaal, £54 118, and in the Orange Free State, £26 144. "This was on new business alone and [had] nothing to do with regular annual and other fees on new and old companies" (USA, HA Debates, Vol. 6, 25/2/1927: 979). Also, joint stock companies incorporated in Cape Town in 1923–4 numbered 151 with a nominal capital of £3.5 million, this being an increase of £1.5 million over the period 1921–2, while 597 companies registered in the Transvaal in 1922 with a nominal capital of £270 000. Foreign companies registered in the Transvaal [presumably in the same period] had a nominal capital of £4.5 million. These latter facts, van Zyl believed, undermined the Minister's contention that the Orange Free State was a preferred "easy" option regarding company registrations (USA, HA Debates, Vol. 6, 25/2/1926: 979) and indicated some popularity with regard to registrations in the Transvaal. He also stated that it was "estimated by the practitioners in Cape Town that the method of central registration in Pretoria for every deed of transfer or bond the increased cost will be from three to ten guineas" (USA, HA Debates, Vol. 6, 25/2/1926: 981). In the interests of the public, van Zyl requested the Minister to reconsider the "new method of registering". Of significance, then, was the considerable revenue raised by the Companies Office which was very attractive to a Government committed to social programmes.

Sir Drummond Chaplin, SAP member for South Peninsula, entered the debate with the statement that the deciding factor should be "the question of convenience and expense" (USA, HA Debates, Vol. 6, 25/2/1926: 983) and supported local offices.

Alexander, SAP member for Cape Town (Hanover Street), stated he thought local patriotism a good thing and that Cape Town should "get a square deal" (USA, HA Debates, Vol. 6, 25/2/1926: 984). But he stated that companies and deeds offices were so interlocked that it would be impossible to separate them. He thus supported the *status quo*.

Mr De Waal, National Party member for Piketberg, entered the debate and pointed out that centralisation had not had the support of the 1923 Select Committee nor the House to the effect that the previous Minister of Justice, de Wet, had been defeated twice on that issue – yet here it was again (USA, HA Debates, Vol. 6, 25/2/1926: 993). With hindsight, the objective was quite clear – a persistent Pact push to a centralised bureaucracy based in Pretoria in which the Companies Office was but a single step.

Another dissenter about centralisation was OR Nel, SAP member for Newcastle, who made the telling comment: "I hope the Minister will allow this clause to be dealt with on non-party lines so as to give us all an opportunity of expressing our feelings on this particular question without being whipped by the party whips to vote party" (USA, HA Debates, Vol. 6, 25/2/1926: 993). He noted that on the previous occasion in 1924 of the Bill being brought before the House, a number of SAP Ministers had voted against a centralised office, including the then Prime Minister, Smuts (USA, HA Debates, Vol. 6, 25/2/1926: 994). They were probably voting according to their consciences.

The Provincialism vs Centralism debate was one the Government was not prepared to concede. The 1926 Act, at Section 3, made the unequivocal statement: "For the registration of companies under this Act, there shall be established an office in Pretoria called the Companies Registration Office" (Nathan, 1927: 35). It was not an easy victory.

ISSUE 2: THE GOVERNMENT'S POSITION: COMPANIES REGISTRATION OFFICE

WJ O'Brien, SAP member of Parliament for Pietermaritzburg (South), pointed out that he had been a member of the Companies Bill Select Committee which had met between February and May 1923 on more than 30 occasions and that the Bill would have been made law had not the then SAP Minister of Justice, HJ de Wet, disagreed upon the question of a decentralised registration office – believing rather in a centralised approach. The dissolution of Parliament then prevented the Bill from being finalised and placed on the statute book (USA, Debates, Vol. 6, 25/2/1926: 987). The SAP as a party, like the NP, sought centralisation as a means of administrative efficiency and control – but on its own terms.

With regard to taking up the same position upon which his predecessor had been twice defeated, Roos pointed out that "the whole personnel of Parliament [had] changed" (USA, HA Debates, Vol. 6, 25/2/1926: 997). The Minister continued by saying the arguments advanced in support of provincial registries had not convinced him of their necessity. All information in the Pretoria companies' office would also be available in the Registrar of Deeds' offices in various places of the country. While he agreed that complete centralisation was not possible, he believed company registration was a comparatively small activity and thus easy to centralise. He pointed out again that leaving the system as it was would incur a recurring cost of £4 000 a year, and the money could be better used elsewhere. The country needed the Companies Act. The Minister of Finance, NC Havenga, was similarly unconvinced of the arguments for decentralisation and declared the matter would need to be discussed further in committee.

ISSUE 3: CENTRAL CONTROL VS PROVINCIAL SENSIBILITIES: THE DEBATE IN THE HOUSE, 1 MARCH 1926

Some further consideration of the debates surrounding the Companies Act in the House is needed as they give an indication of the political undercurrents of the day and their impact upon the profession. Clearly, the Government wanted a simple centralised system as it did a successful passage of the Designation Bill of 1927. Unfortunately, its tough approach ignored the innate provincialism of many of the Houses' members as well as a mistrust of the Nationalists' White Afrikaner-centred policies – hence

Coulter's appeal to consider the principles in the Act of Union, the South Africa Act of 1910. Coulter was the SAP member for the up-market constituency of Gardens, Cape Town.

Havenga's motion to read the Bill was put and agreed to, the Bill was read a second time and the House was scheduled to go into committee on 1 March which it did. Predictably, the 1924 amendment proposed in the Select Committee was tabled as an amendment of the 1926 Bill despite Roos' earlier comments that he believed in a central office. The amendment proposed provincial offices for the Registrar of Companies and an office in Pretoria with "a controlling influence over all these provincial registrars" (USA, HA Debates, Vol. 6, 1/3/1926: 1066). Major GB van Zyl began the debate.

The net effect of the Bill, as it stood before the proposed amendment, would be that the central registrar would control all administrative aspects of the Act. Van Zyl pointed out centralisation would impact negatively upon acts, such as the cancellation of bonds in the Provinces which would need recourse also to the deeds registrar as well as written certification from the Registrar of Companies' office in Pretoria. These problems would be compounded by the extra work that would need to be done to manage the new system. An estimate of the increased cost per transaction was between £2 2s and £10 10s (USA, HA Debates, Vol. 6, 1/3/1926: 1067). A local registry would obviate the complexity of the issue as well as the resulting delays. Companies would be subject to the jurisdiction of the courts in the province in which their registered offices were situated and such courts would have equal status with other courts in the other provinces dealing with similar issues.

Mr CWA Coulter, SAP member for Cape Town (Gardens), entered the debate and declared that it would be impossible to separate company practice from deeds office practice and that the registration of companies was an integral part of the registration of deeds. A central registry was acceptable providing the provincial registrar's retained the right to keep the "records on their files". He pointed out that the fair way things had been handled since 1910 with regard to the Provinces had been an "essential feature of the Act of Union" and to tamper with these elements was "striking at a great principle" (USA, HA Debates, Vol. 6, 1/3/1926: 1069). This was clearly the beginning of the

erosion of the Act so feared by some of its drafters; but the reality of the situation called for a centralised office. Perhaps the Act had been naïve in its expectations of provincial equality. The Transvaal was the economic hub of the new nation.

The Minister of Justice, Roos, confirmed that members could vote upon the amendment as they pleased and would not be constrained by the party. He also pointed out that his predecessor had been from another party but had supported the idea of a centralised registry. He again reiterated that the cost of implementing the amendment, according to the Registrar of Companies, was £4 000, but that there would be other costs. He continued: "As long as the House clearly understands that we are starting further expenditure which no one today knows the limits of" (USA, HA Debates, Vol. 6, 1/3/1926: 1070). While he made it clear that he would submit to any decision, he believed centralisation was the best solution and proposed a further technical amendment to the amendment which would "fall to the ground" if van Zyl's amendment succeeded (USA, HA Debates, Vol. 6, 1/3/1926: 1068).

With regard to the link between the Deeds Office and a company, the Minister pointed out that it existed nowhere else in the world and in South Africa the Deeds Office fell under the Minister of Lands while companies were the concern of the Minister of Justice. "That not only shows that there is no necessary connection between the two, but that we in South Africa think the two are so distinct that they fall under different Ministers" (USA, HA Debates, Vol. 6, 1/3/1926: 1070). While centralising the Deeds Office was not an option because of the great number of sub-offices, the registration of companies involved "comparatively little work" (USA, HA Debates, Vol. 6, 1/3/1926: 1071). In the Cape, the annual average was about 90 registrations or seven-and-a-half per month, while "outside" there were 50 each year. "This means as regards new companies much less work, but as to old companies there will be much new work under the Bill" (USA, HA Debates, Vol. 6, 1/3/1926: 1071). CAA Sephton, SAP member for Aliwal, stated that he opposed centralisation. Major Van Zyl stated again that he did not see the reason for the Minister's estimated cost of the £4 000 if the system were left untouched and believed an extra clerk in the Cape Town office at an annual salary cost of £500 would be sufficient. He expressed concern that the Bill without the amendment would "deprive other centres of something" and Cape Town particularly of something it had "hitherto enjoyed and enjoyed well over a century" (USA, HA Debates, Vol. 6,

1/3/1926: 1072). Concerns of a parochial nature are clearly to the fore in this statement as are Van Zyl's fundamental loyalties and resistance to change. But change was in the air as the Pact Government had social and industrial aspirations – hence the Companies Act, one of many social and economic acts passed under its rule in the period 1924–34.

Mr C Pearce, Labour member for Liesbeek, supported the Minister's stance, pragmatically stating there should only be one person to govern the formation of companies in South Africa. Pearce was then taken to task by both Colonel D Reitz, SAP member for Port Elizabeth (Central) and Coulter, SAP member for Cape Town (Gardens) for his change of position since 1924. Coulter noted sardonically that the Minister's speech in Afrikaans must have been very persuasive and that the House needed an explanation for Pearce's new stance.

In answer, Pearce stated that he had changed his mind when he learnt of the selective registration chosen by some to avoid regulation. "In the Free State there are the most lenient conditions: the result has been that a large number of companies have been floated in the Free State" (USA, HA Debates, Vol. 6, 1/3/1926: 1075). In such circumstances, he believed it appropriate to have one central office and one policy to interpret the law across the Union.

Stuttaford stated that he did not support a central registry, and queried the extra cost of £4 000 to the Cape Town office where 150 applications were dealt with per year, making the cost £26 per registration. He did not believe that to be possible.

In this, Stuttaford was mistaken in assuming the extra cost of £4 000 related to the Cape Town office alone. While Roos did not initially make the issue clear, the amount of £4 000 related to the total estimated cost of a decentralised system of company registration. This was confirmed when the Minister responded that the £4 000 was the difference between what the cost would be under a central registry and what would be needed if the amendment to the Bill was carried. In addition, this cost related not only to newly registered companies, but also to old companies needing to make many more new returns (USA, HA Debates, Vol. 6, 1/3/1926: 1076).

In a display of independence and conscience, CR Swart, Nationalist member for Ladybrand, stated he was pleased the matter was not a party question as he intended to vote for the amendment because the provinces had been given certain rights which were slowly being taken from them. If centralisation was the preferred alternative, this policy needed to be clearly stated. If not, the amendment needed to be supported by

> "some of us and some of the members of the South African Party voted against the then Minister. Let us maintain our previous attitude because if it was a good thing in 1924 under the SAP Government then it is just as good in 1926 under the Nationalist Government" (USA, HA Debates, Vol. 6, 1/3/1926: 1078–9).

TABLE 9.2

MINISTER'S AMENDED CLAUSE 3: VOTED 1 MARCH 1926

Ayes – 52			
NP	Badenhorst, AL	NP	Naudé, JF (T)
NP	Boshoff, LJ	SAP	Nieuwenhuize, J
LP	Boydell, T	NP	Oost, H
NP	Brits, GP	SAP	Papenfus, HB
LP	Brown, G	I	Payn, AOB
LP	Christie, J	LP	Pearce, C
NP	Cilliers, AA	NP	Pirow, O
SAP	Collins, WR	NP	Pretorius, JSF
LP	Creswell, FHP	SAP	Pretorius, NJ
NP	De Villiers, AIE	SAP	Reitz, D
NP	De Villiers, PC	NP	Reitz, H
NP	De Wet, SD	LP	Rayburn, G
SAP	Duncan, P	NP	Rood, WH
LP	Fordham, AC	NP	Roos, TJ de V
SAP	Geldenhuys, L	LP	Snow, WJ
SAP	Giovanetti, CW	NP	Steytler, LJ
SAP	Grobler, HS	NP	Te Water, CT
NP	Grobler, PGW	NP	Van Broekhuizen, HD
NP	Hattingh, BR	NP	Van der Merwe, NJ
LP	Hay, GA	NP	Van Hees, AS
NP	Kemp, JCG	NP	Van Niekerk, PW le R
LP	Kentridge, M	NP	Visser, TC
LP	Madeley, WB	NP	Vosloo, LJ
LP	McMenamin, JJ	NP	Wessels, JB
LP	Mullineux, J		
NP	Naudé, AS		
Tellers: Pienaar, BJ (NP), Sampson, HW (LP)			

Noes – 48			
SAP	Anderson, HEK	NP	Malan, DF
SAP	Arnott, W	SAP	Miller, AM
SAP	Ballantine, R	SAP	Moffat, L
NP	Basson, PN	NP	Mostert, JP
SAP	Bates, FT	NP	Munnik, JH
NP	Brink, GF	SAP	Nathan, E
SAP	Buirski, E	SAP	Nel, OR
SAP	Byron, JJ	SAP	O'Brien, WJ
SAP	Chaplin, FDP	SAP	Richards, GR
NP	Conradie, JH	SAP	Rider, WW
SAP	Coulter, CWA	SAP	Rockey, W
SAP	Deane, WA	SAP	Sephton, CAA
NP	De Villiers, WB	NP	Stals, AJ
NP	De Waal, JHH	LP	Strachan, TG
NP	Du Toit, FJ	SAP	Struben, RH
SAP	Harris, D	SAP	Stuttaford, R
SAP	Heatlie, CB	NP	Swart, CR
SAP	Henderson, J	SAP	Van Heerden, GC
SAP	Jagger, JW	NP	Van Rensburg, JJ
NP	Keyter, JG	SAP	Van Zyl, GB
SAP	Lennox, FJ	NP	Van Zyl, JJM
NP	Le Roux, SP	NP	Vermooten, OS
SAP	Louw, JP	NP	Werth, AJ
Tellers: de Jager, AL (SAP), Nicholls, GH (SAP) Clause, as amended, accordingly agreed to.			

VOTE TALLIES:

	Ayes	**%**	**Noes**	**%**	**Total**	**%**
NP = National Party	28	54%	17	35%	45	45%
LP = Labour Party	14	27%	1	2%	15	1%
SAP = South African Party	9	17%	30	63%	39	39%
I = Independents	1	2%			1	1%
	52	100%	48	100%	100	100%

MEMBERS: HOUSE OF ASSEMBLY

	1921	1924 – Pact
SAP	79	53
NP	45	63
LP	9	18
I	1	1
	134	135

Source: USA, HA Debates, Vol. 6, 1/3/1926, 1068, 1078–80.

Total seats in House of Assembly: 135

As a matter of interest, Swart remained a Nationalist Member of Parliament until 1959 (Parliamentary Register, 1970: 119). Centralisation was indeed the preference of Government, and the Minister's amended Clause passed by 52 votes to 48 (USA, HA Debates, Vol. 6, 1/3/1926: 1080) (see Table 9.2). This victory was effectively confirmed in the debate on 24 March and ultimately the final Act placed the Companies Registration Office in Pretoria with the Deeds Registries in Cape Town, Pietermaritzburg and Bloemfontein acting as conduits only of fees and forms to Pretoria (Nathan, 1927: 35).

THE AMENDMENT REVISITED: THE DEBATE OF 24 MARCH 1926

At the debate on 24 March, Major GB van Zyl, SAP member for Cape Town (Harbour), raised the hoary chestnut of provincial registries again and impishly proposed another amendment to the Bill, the same as the one he had tabled at the

House-in-Committee meeting on 1 March 1926 (USA, HA Debates, Vol. 6, 1/3/1926: 1066). He was reintroducing it because

> "apparently there was some misunderstanding when we voted on it last time. The honorary [Labour] member for Langlaagte (Mr Christie) spoke strongly in favour of the amendment, and then he found himself voting against it. I understand there was some confusion in his mind at the time" (USA, HA Debates, Vol. 6, 24/3/1926: 1940).

Van Zyl was clearly concerned that his amendment had failed by only four votes, particularly when most contributors to the debate had appeared to support it.

To reintroduce an amendment already passed was an unusual thing to do. The fact that it was not challenged by the Speaker suggests that the proposal was not beyond the bounds of acceptability from a procedural perspective. A question must be asked as to what other reasons were behind Van Zyl's tabled amendment, and the answer is probably contained in the comments made by the amendment's seconder.

In seconding the amendment, Coulter, SAP member for Cape Town (Gardens), pointed out that more was at issue than registries under the Companies Act, namely the principles contained in the Act of Union which he saw as being undercut by the "craze for centralisation". If there was a desire to amend the Act of Union, Coulter believed it needed to be brought out into the open and debated. This appears to be the issue behind Van Zyl's proposed second amendment – to clarify the rights of the Provinces. Coulter also pointed out that the Minister of Justice's concern seemed not to be public convenience but the extra expense of £4 000 which, in reality, was "a mere individual expression of one by one registrar" (USA, HA Debates, Vol. 6, 24/3/1926: 1941). He concluded by stating the issue of three provincial registrars had been supported by the House in 1924 and nothing appeared to have happened subsequently to change that support.

Alexander, SAP member for Hanover Street, supported Van Zyl and appealed to the Minister to reconsider as there had been confusion at the previous vote. He pointed out that Pretoria got something under the amendment that it had not had previously, namely

a central registry with the provincial registries subordinate to the central one. It also made sense to keep "some machinery in the provincial capitals" to handle delays and the great distances in South Africa. He concluded that the merit of the issue should be considered rather than as a "party matter" (USA, HA Debates, Vol. 6, 24/3/1926: 1942). In some ways, centralisation was a sensible practice and not only a method of shifting power.

Both WJ Snow, Labour member for Salt River, and OR Nel, member for Newcastle, indicated their support for the amendment. Mr WJ O'Brien, SAP member for Pietermaritzburg (South), stated that the matter had taken up enough of the House's time and a vote needed to be called. Mr JB Wessels, Nationalist member for Frankfort, struck a sour note when he thanked the Cape members for their support of the provincial public's convenience and declared "I want to assure them that they need not look after our convenience because we can do that ourselves" (USA, HA Debates, Vol. 6, 24/3/1926: 1944). He supported centralisation as did Mr P Duncan, SAP member for Yeoville. They were members of the Pact Government and the SAP respectively, an indication of the potentially divisive nature of provincialism which cut across party lines.

In reaction to the idea of centralisation, RW Close, SAP member for Rondebosch, stated "the danger voiced tonight has been clearly let out now, and if we give way now, we are giving away the outworks" (USA, HA Debates, Vol. 6, 24/3/1926: 1945). He stated further that the public demand had been to keep things as they were and that the fear of different offices giving different legal interpretations could be met by a set of regulations governing all actions and an annual meeting of registrars. Close continued: "this is one of the first efforts to break down localisation, where localisation is needed in the public interest and to initiate centralisation where that is unnecessary" (USA, HA Debates, Vol. 6, 24/3/1926: 1945). With regard to the concern about the lack of consistency in the rulings of the provincial offices, he pointed out that magistrates throughout the country interpreted the same laws which were given a uniformity through appeal to the Supreme Court and its divisions. In the same way, the central Registrar in Pretoria would achieve this with regard to companies. And finally, he questioned how the amount of £4 000 extra cost to run the provincial system had been calculated.

The Minister then stood to reply, noting wryly "I shall know in future that when I introduce a Government measure, I shall have to make a party matter of it" (USA, HA Debates, Vol. 6, 24/3/1926: 1946). With regard to the fear of centralisation, he pointed out that it would be impossible to do with regard to units like the Deeds Office, but where it could be done on a small scale "it is accepted tacitly in the constitution that the centralisation must be at Pretoria" (USA, Debates, Vol. 6, 24/3/1926: 1946–7). He pointed out that there had always been only one Registrar of Companies, and that post was in Pretoria. There existed in the provinces Registrars of Deeds who also dealt with the registration of companies under a different piece of legislation. Roos was adamant that the Bill would create efficiencies, but stated that he had included an amendment allowing, for example, a Cape Town resident, with company interests in the Transvaal to summons the Registrar in Cape Town. Whether this would work over any extended period remained to be seen.

Roos had interviewed his predecessor – Senator de Wet – who again stressed that centralisation was the best possible decision and concluded by saying that he stood by the already amended Section 3 dealing with the Companies Registration Office. The question was then put to the House that Section 3, as amended by the Minister on 1 March, "stand part of the Bill". The ensuing vote (see Table 9.3 below) affirmed the question by 46 votes to 40 and Van Zyl's proposals were dropped as a result. But he had made his point (USA, HA Debates, Vol. 6, 24/3/1926: 1950). Roos was part of a wider process which would see all power finally in Nationalist hands.

TABLE 9.3

CLAUSE 3 AS AMENDED BY THE MINISTER (SEE TABLE 9.2):

VOTED 24 MARCH 1926

Ayes – 46			
LP	Allen, J	NP	Malan, ML
NP	Boshoff, LJ	NP	Moll, HH
NP	Brits, GP	NP	Mostert, JP
LP	Brown, G	LP	Mullineux, J
LP	Christie, J	NP	Munnik, JH
NP	Cilliers, AA	NP	Naudé, AS
SAP	Collins, WR	NP	Naudé, JF
NP	Conroy, EA	NP	Oost, H
LP	Creswell, FHP	LP	Pearce, C
NP	De Villiers, AIE	NP	Pienaar, JJ
NP	De Villiers, PC	NP	Pretorius, JSF
NP	De Wet, SD	SAP	Pretorius, NJ
SAP	Duncan, P	NP	Raubenheimer, I van W
NP	Fick, ML	NP	Reitz, H
SAP	Giovanetti, CW	NP	Rood, WH
SAP	Grobler, HS	NP	Roos, TJ de V
NP	Grobler, PGW	NP	Te Water, CT
NP	Havenga, NC	NP	Van Broekhuizen, HD
LP	Hay, GA	NP	Van Niekerk, PW le R
NP	Hertzog, JBM	NP	Wessels, JB
NP	Heyns, JD		
NP	Hugo, D		
NP	Kemp, JCG		
LP	Kentridge, M		
Tellers: Pienaar, BJ (NP), Sampson, HW (LP)			

Noes – 40			
SAP	Alexander, M	SAP	Louw, GA
SAP	Anderson, HEK	NP	Malan, DF
NP	Badenhorst, AL	SAP	Marwick, JS
SAP	Ballantine, R	SAP	Nathan, E
NP	Basson, PN	SAP	Nel, OR
SAP	Bates, FT	SAP	O'Brien, WJ
NP	Bergh, PA	SAP	Richards, GR
LP	Brown, DM	SAP	Rider, WW
SAP	Chaplin, FDP	SAP	Rockey, W
SAP	Close, RW	SAP	Sephton, CAA
SAP	Coulter, CWA	SAP	Smartt, TW
SAP	Deane, WA	NP	Snow, WJ
NP	De Villiers, WB	LP	Strachan, TG
NP	De Waal, JHH	SAP	Struben, RH
SAP	Henderson, J	SAP	Stuttaford, R
SAP	Jagger, JW	NP	Van Heerden, IP
SAP	Krige, CJ	NP	Van Rensburg, JJ
SAP	Lennox, FJ	SAP	Van Zyl, GB
NP	Le Roux, SP	NP	Van Zyl JJM
Tellers: De Jager, AL (SAP), Swart, CR (NP)			

Question accordingly affirmed, and the amendment proposed by Major JB van Zyl dropped.

VOTE TALLIES:

	Ayes	**%**	**Noes**	**%**	**Total**	**%**
NP = National Party	32	69%	12	30%	44	51%
LP = Labour Party	9	20%	2	5%	11	13%
SAP = South African Party	5	11%	26	65%	31	36%
I = Independents						
	46	100%	40	100%	86	100%

Source: USA, HA Debates, Vol. 6, 24/3/1926, 1950–1.

Total seats in House of Assembly: 134

ANALYSIS OF TABLES 9.2 AND 9.3:

1. GB van Zyl, SAP member for Cape Town (Harbour), on 1 March 1926, proposed an amendment to counter a centralised Registrar of Companies office (USA, HA Debates, Vol. 6, 1/3/1926: 1066).
2. Minister of Justice Roos confirmed that members could vote their conscience on Van Zyl's amendment.
3. However he proposed a technical amendment to Van Zyl's amendment which was voted upon and approved by 52 votes to 48. This in effect crippled Van Zyl's amendment.
4. The amended amendment was voted upon on 24 March 1926 as "stands part of the Bill" and was carried by 46 votes to 40.
5. As a result, Van Zyl's original amendment fell away and Minister Roos' technical amendment went forward.
6. The NP's push to a centralised Companies office in Pretoria was back on track.
7. An analysis of the voting patterns on 1 March reveals the following points.
    - 54% of the NP supported the first motion, compared to 17% of the SAP.
    - Labour supported their NP allies and contributed 14 votes (or 27%) of the total.
    - Out of a House of Assembly of 134 members, 52 (or 39%) supported the proposal.
    - The SAP made a determined effort to prevent the passage of the clause and contributed 30 votes, or 63%, of the Noes. Whether this was because they supported decentralisation or because they opposed the NP, is difficult to determine. One thing is certain, however: the SAP Minister of Justice, NJ de Wet, who initiated the process of the Companies Bill in the House of Assembly in 1923, supported centralisation.
    - Of note: both voting sessions were attended by seven Cabinet Ministers; in a display of Cabinet unity, some ministers attended both sessions, while others attended one or the other session. This however appears to have been broken by DF Malan, who voted "No" on both occasions. Hertzog himself was present at the second count and voted the party line.

In its debates on the Companies Bill, the House dealt with a large number of issues, some of greater significance than others, but all reflecting the concerns of the day. The next few would have been important from an audit perspective to ensure compliance

with the Act. The ensuing debate also revealed a largely informed and socially aware Labour Party whose participation was positive. But those in the electorate who could understand their "pro-individual" stance supported other parties with more attractive platforms.

The local press in the form of the *Grocott's Penny Mail* equated the Labour Party with socialism and communism. In the editorial of 5 January 1925, the editor declared that such people did not "like" constitutional methods and were impatient of them. The socialists were in too great a hurry to realise their personal objectives but "their numbers are negligible and therefore are generally disregarded because they are ineffective". The irony was that Labourites in the House of Assembly in the period 1926–9 often stood up for the "little men".

ISSUE 4: FOREIGN COMPANIES AND TRANSFER DUTY

Stuttaford, SAP member for Newlands, drew attention to foreign companies. Some companies were entirely South African, but domiciled overseas, mainly England; having these companies registered in South Africa would be advantageous and he proposed that companies doing so should "be relieved of the transfer dues on [their] fixed assets" (USA, HA Debates, Vol. 6, 25/2/1926: 993). Transfer duty was payable on such transactions which the law viewed as sales.

Stuttaford ticked off a number of advantages – greater employment, greater control over such companies and avoidance of double taxation on dividends. In this, he was supported by Coulter, SAP member for Cape Town (Gardens), who suggested, however, that the incentive should apply only to foreign companies wishing to be solely registered in South Africa (USA, HA Debates, Vol. 6, 1/3/1926: 1109).

Stuttaford moved the introduction of a new section with regard to foreign companies. He explained that, in Committee, the House had agreed to the proposal that where a foreign company transferred its place of registration to South Africa, no transfer fees were payable upon its real estate. In terms of the Committee's decision, the company had first to liquidate its foreign domicile and register the company in South Africa before the Registrar of Companies could decide whether the transaction was exempt from transfer fees. As this was not workable, the revised section provided for the

company to go to court and give evidence of its intention to liquidate itself in the foreign country and refloat itself in South Africa with the same shareholders. Thereupon the company would be issued a certificate which would enable it to put its real estate in its name without paying transfer duty. South Africa would benefit from having more companies in the country, generating revenue and paying salaries and taxes (USA, HA Debates, Vol. 6, 29/3/1926: 2050–1).

JW Jagger, SAP member for Cape Town (Central), seconded a motion to waive transfer duty, and the Minister agreed that the principle was better served by the new section (USA, HA Debates, Vol. 6, 29/3/1926: 2051). The new section was put and agreed upon and appeared in the 1926 Act as Section 203 which waved transfer duty for foreign registered companies already operating in South Africa when they registered in South Africa as well.

Sniping in the House was common as was shown when Pearce, who had previously supported the idea, questioned whether Stuttaford "sincerely wish[ed] to put the foreign companies on the same level as the colonial ones" (USA, HA Debates, Vol. 6, 1/3/1926: 1110). Stuttaford took umbrage at this comment and, on a point of order, asked the Chair whether Pearce was in order "in imputing insincere motives to me". The Chair confirmed the behaviour as being inappropriate to which Pearce responded that he had not imputed insincerity but merely whether Stuttaford was sincere on the issue. He then indicated he would like to move Stuttaford's amendment to which the Minister proposed a further amendment which would allow the Commissioner for Inland Revenue, at his sole discretion, to waive the transfer duty. He stated clearly that he could not accept the amendment without this proviso. Van Zyl stated that in his experience "there never [was] any discretion by Inland Revenue officers except in favour of the Treasury" (USA, HA Debates, Vol. 6, 1/3/1926: 1111). To this, the Minister proposed the appointment of the Registrar of Companies instead of the Commissioner. Both Stuttaford's amendment and the Minister's amendment thereto were accepted by the Committee-of-the-Whole-House. While transfer duty for foreign companies was thus waived, registration fees for these companies in terms of the Third Schedule to the Companies Act were set at £5 compared to £3 for South African companies (Nathan, 1927: 414). While the £2 increase was negligible to a company, the idea of Morton's Fork persisted in revenue collection.

ISSUE 5: THE PROTECTION OF SHAREHOLDERS: GOVERNMENT DIRECTORS

Another issue aired in the debate was that of the protection of shareholders' rights. Predictably, Labour took the lead here. GA Hay, member for Pretoria (West), a Labour seat, noted that a large section of the community had been disappointed by the dropping of the idea of Government directors to "watch the interests of the investing public" and for the "protection of shareholders of which they have had so little in the past" (USA, HA Debates, Vol. 6, 25/2/1926: 994). He pointed out that while there was a minority cry for a central control of key aspects of the economy, such as the mines, the state needed to control only what was necessary. Hay then alluded to the spread of limited liability companies and the fact that, as a result, a large number of small shareholders had come into existence. Hay stated that their "cultivation" as a source of capital was an "art" whereby "agents [were] employed everywhere to spread the holding of shares by holders in small lots, so that they do not interfere with market operations" (USA, HA Debates, Vol. 6, 25/2/1926: 995). Earlier in this thesis, pyramid schemes were discussed. While the above practices did not constitute such schemes, they were nevertheless questionable, both morally and in terms of a reasonable return on their investment.

Hay continued by referring to a recent publication by a Mr Marriot, a consulting mining engineer, in which he opined "that the shareholder much [needed] protection and that the directors often have not the remotest interest in shareholders, except to get them to subscribe; they do not consult shareholders' interests, but their own and the effect of reports on the market" (USA, HA Debates, Vol. 6, 25/2/1926: 995). He stated that while the present Government had only been in office for 13 months, much had been expected, including the placing of nominated directors upon the boards of large public companies. Hay believed the fact that such directors could notify the Minister of any information of a contentious nature they acquired, that the Minister could publish such information in terms of Section 219 of the 1923 Bill, and that this would have been a check on the activities of boards. While the principles embodied by such actions had been dropped in the 1926 Companies Bill, Hay stated the Minister of Mines had promised they would appear in a future Bill dealing with the mining sector and he hoped such principles would not be allowed to be subverted by big finance "which is gripping everything" (USA, HA Debates, Vol. 6, 25/2/1926: 996). He added, with some

disappointment, that South Africans had hoped Government would have dealt more directly with "the big interests, the big influences [international finance] which so subtly enter in and subvert the general welfare" (USA, HA Debates, Vol. 6, 25/2/1926: 996). The reality was different and Yudelman suggests that the Pact not only had a symbiotic relationship with "capital" (i.e. mines) but could "isolate populist opposition" by legislating "supposedly pro-white populist policies" (1983, 216). Any Government concerned with the long-term would handle "big interests" carefully.

Hay's point of view raised the ire of AG Barlow, Labour member for Bloemfontein (North) and a member of the 1923 Select Committee on the Companies Bill, who expressed relief at the dropping of the idea of Government directors in public companies. He pointed out that "no man in this House and no decent man outside, would sit on a company as a spy. The type of man you would get would be one who would sell himself to the company or anyone else who wanted to buy him" (USA, HA Debates, Vol. 6, 25/2/1926: 996). He believed companies "doing the harm they are supposed to be doing [could] be dealt with in another way".

The debate continued well until the Minister proposed withdrawing Chapter 8 of the Bill headed "Mining Companies: Government Director". Mr M Kentridge, Labour member for Troyeville, intervened to state the Bill in its present form regarding Chapter 8 had met "a tremendous amount of approval from every section of the supporters of the Pact" (USA, HA Debates, Vol. 6, 1/3/1926: 1111). He believed that it was necessary and right that the Government have

> "some control in connection with these [mining] companies by having a direct [appointed] representative on the board of directors. [This individual] would be able to ascertain to what extent [for example, their] non-ability to pay certain rates of wages [was] due to inefficient management or watered capital, or any other matters" (USA, HA Debates, Vol. 6, 1/3/1926: 1112).

If the Companies Bill did not deal with the matter, Kentridge hoped a separate Bill would be introduced later to give effect to the principles contained in Chapter 8.

Roos, the Minister of Justice, responded by saying that at the Bill's second reading he had given the reason for dropping this Chapter as its being an inappropriate provision in a Bill dealing with companies generally, and more appropriate in mining legislation to be introduced by the Minister of Mines. He also pointed out that there had been a tacit agreement in the House that the current Bill would not go back to the Select Committee if the Chapter were dropped. Without this understanding, it could have been necessary to send the Bill back to the Committee, thus delaying the process when most members of the House wanted it passed.

Kentridge declared that the Minister had not given the reassurance sought. The Minister stated Government had not gone back on its understanding but pointed out that whether such legislation would be passed during the current session was up to the Minister of Mines. The implicit meaning in Roos' statement was that "big interests" needed to be handled carefully.

Mr GA Hay, Labour member for Pretoria (West), lamented the loss of an opportunity to establish public directors, especially as the state held significant holdings in some mining companies. He pointed out that it were "as if big financial interests were almost able to dictate as to what they would not have" (USA, HA Debates, Vol. 6, 1/3/1926: 1113). He continued by saying that public representation on the boards of mining companies had been described as almost akin to spying and declared scornfully "you might as well describe an auditor as a spy". Thereafter, proceedings began to wind down, progress was reported, and the House was timetabled to resume in Committee the next day, 2 March 1926.

What does not seem to have made its way into the debate is that the Act required all companies to be audited and for directors to sign their balance sheets as evidence of their correctness. This would be verified – or not – by an audit. A poor audit could cause shareholders to withdraw their investment.

ISSUE 6: THE REAL VALUE OF ASSETS, OTHER FINANCIAL ASPECTS AND THE ROLE OF AUDITORS

A long debate ensued when Mr C Pearce, Labour member for Liesbeek, proposed a new section which would require balance sheets to disclose the real value of assets in

preference to their historical value (something that International Financial Reporting Standards (IFRS) in the 21st Century have sought over a long period and now require as a matter of course). He also wanted disclosure of the shares given and allotted to vendors instead of cash, as well as the value of shares, stock or debentures held in other companies (USA, HA Debates, Vol. 6, 1/3/1926: 1092–3). This was to counter the practice whereby companies (particularly mining) concealed their true financial situation when applying for reductions in railway rates or other forms of state assistance.

The accounting issues raised by Pearce were important, technically complex and have absorbed much time and energy on behalf of the profession over decades in finding a generally acceptable solution.

Coulter criticised the proposed amendment on the grounds that the balance sheet would become "a statistical return and contain a quantity of information which in the long run would make it far more difficult to understand than if it were confined to the ordinary functions of a balance sheet, just setting forth assets and liabilities" (USA, HA Debates, Vol. 6, 1/3/1926: 1094). Pearce pointed out that in a consideration of the

> "Goldmining Commission's report of 1908 we find, in reply to a question, that the mines are only making a profit of 3.26 per cent, but further on in the evidence we find that on the real capital they are making over 32 per cent, showing quite clearly that the idea the gold mines of this country are not making money is false. It is true the present shareholders are not making money, but the millionaires have gone away with the boodle. The gold mining industry of this country makes a tremendous profit on real capital" (USA, HA Debates, Vol. 6, 1/3/1926: 1097).

GA Hay, Labour member for Pretoria (West), made the point that where a company was taking public money with its shares on the stock exchange, it was right for the directors once a year to declare the company's assets and their valuation. Stuttaford, SAP member for Newlands, declared his opposition to Pearce's amendment, stating Pearce could get the exact proportions issued to the public and others from the Deeds Registry "on payment of a shilling" (USA, HA Debates, Vol. 6, 1/3/1926: 1096). He

also pointed out that shares valued in one year would need to be written down in another if there was a slump in-between. Apart from not wishing to be responsible for appointing sworn appraisers to value assets, the Minister noted much of the detail could be obtained from the companies and admitted to personally having "no special feeling one way or the other" (USA, HA Debates, Vol. 6, 1/3/1926: 1097) about the issue. But, the mines were important to the Nationalists to fund their social programme. They were not to be antagonised unnecessarily.

Pearce, in turn, was critical of Stuttaford's stance believing him to be "connected with a subsidiary company which makes a greater profit than the parent company, of which he is a shareholder. I can now understand why he does not want the amendment" (USA, HA Debates, Vol. 6, 1/3/1926: 1097). Coulter responded by saying the provisions were such that few would understand and that they would not meet Pearce's objective. He continued by considering the position of a subsidiary company and asked for a "logical reason" why its holding company

> "should not be entitled to keep its connection with the subsidiary unknown as far as the balance sheet is concerned? The auditor is given largely an entrenched, a statutory position, and he will have certain duties to fulfil as the watchdog of the shareholders" (USA, HA Debates, Vol. 6, 1/3/1926: 1098).

The idea of transparency was clearly limited in 1926.

Mr H Oost, National Party member for Pretoria District (North), pointed out that Pearce's intention was to protect investors. In this, he was supported by Mr RB Waterston, Labour member for Brakpan, who had a finer appreciation of the issues and stated that where companies sought money from the public, that public needed to be protected. He continued:

> "Take the mines in South Africa that pay a certain percentage of their profits to the Government for the right to work the mine. If the people in control of those mines are also large shareholders in some subsidiary … dealing in carbide, tree planting or anything else they can pay the price they want – bigger prices than they need – for their goods – and the subsidiary companies make a bigger profit

> and therefore there would be less profit to the mining company and a less [*sic*] share to the Government" (USA, HA Debates, Vol. 6, 1/3/1926: 1100).

Duncan, SAP member for Yeoville, responded that he did not believe it to be a widespread practice but saw Pearce's concern of over-capitalisation as a real one where "someone goes off with the plunder" and the company is left with "an excessive capital that does not represent the actual assets, but his amendment is not going to help that" (USA, HA Debates, Vol. 6, 1/3/1926: 1100). He believed the solution to already exist in Section 26 of the Bill which required disclosure of the number of shares issued for cash. With regard to investments, he admitted to seeing sense in appending a statement of them to the balance sheet. Pearce replied that if his concerns were met by Section 26, there would be no harm in letting the amendment through. Stuttaford reiterated his opposition to the valuation of assets, saying it would be difficult in many instances to determine the original cost due to the passage of time. Hay contended that in the mining industry "concealing profit has at times been reduced to a fine art per market operations" (USA, HA Debates, Vol. 6, 1/3/1926: 1102).

The debate ended, Pearce's amendment was put to the vote and passed by 47 votes to 31, but it was later disallowed by a Senate perhaps more in tune with the importance of the mines to the economy (see Table 9.4 below).

TABLE 9.4

PEARCE'S AMENDMENT – DISCLOSURE OF REAL VALUE: 1 MARCH 1926

Ayes – 47			
SAP	Alexander, M	NP	Boshoff, LJ
LP	Barlow, AG	LP	Boydell, T
NP	Basson, PN	LP	Christie, J
NP	Conradie, JH	NP	Reitz, H
LP	Creswell, FHP	NP	Roos, TJ de V
NP	De Villiers, AIE	NP	Roux, JWJW
NP	De Villiers, PC	NP	Snow, WJ
NP	De Villiers, WB	NP	Stals, AJ
NP	De Wet, SD	NP	Steytler, LJ
NP	Du Toit, FJ	LP	Strachan, TG
NP	Grobler, PGW	NP	Swart, CR
LP	Hay, GA	NP	Van Broekhuizen, HD
NP	Kemp, JCG	NP	Van der Merwe, NJ
LP	Kentridge, M	NP	Van Heerden, IP
NP	Le Roux, SP	NP	Van Niekerk, PW le R
NP	Moll, HH	NP	Van Zyl, JJM
NP	Mostert, JP	NP	Visser, TC
LP	Mullineux, J	NP	Vosloo, LJ
NP	Munnik, JH	NP	Werth, AJ
NP	Naudé, AS	NP	Wessels, JB
NP	Naudé, JF	NP	Wessels, JHB
NP	Oost, H		
LP	Pearce, C		
NP	Pirow, O		
Tellers: Pienaar, BJ (NP), Vermooten, OS (NP)			

Noes – 31			
SAP	Ballantine, R	SAP	Moffat, L
SAP	Bates, FT	SAP	Nel, OR
LP	Brown, DM	SAP	Nicholls, GH
SAP	Buirski, E	SAP	Nieuwenhuize, J
SAP	Coulter, CWA	SAP	O'Brien, WJ
SAP	Deane, WA	SAP	Papenfus, HB
SAP	Duncan, P	I	Payn, AOB
SAP	Gilson, LD	SAP	Reitz, D
SAP	Giovanetti, CW	SAP	Sephton, CAA
SAP	Grobler, HS	SAP	Smartt, TW
SAP	Heatlie, CB	SAP	Smuts, JC
SAP	Lennox, FJ	SAP	Struben, RH
SAP	Louw, JP	SAP	Stuttaford, R
SAP	Marwick, JS	SAP	Van Zyl, GB
SAP	Miller, AM		
Tellers: Collins, WR (SAP), de Jager, AL (SAP)			

VOTE TALLIES:

	Ayes	**%**	**Noes**	**%**	**Total**	**%**
NP = National Party	36	77%			36	46%
LP = Labour Party	10	21%	1	3%	11	14%
SAP = South African Party	1	2%	29	94%	30	39%
I = Independent			1	3%	1	1%
	47	100%	31	100%	78	100%

Source: USA, HA Debates, Vol. 6, 1/3/1926: 1102–3.

Total seats in House of Assembly: 134

The following facts may be drawn from analysis of Pearce's amendment.

- The National and Labour Parties overwhelmingly supported the proposal with a total of 46 votes, a clear indication that party whips were doing their job to ensure the party line was followed.
- Four Pact Cabinet Ministers voted. Of interest is the fact that it appeared that the Nationalists treated the mining industry with care. To require the disclosure of "real value" would be problematic. The proposal in fact died in the Senate.
- Of equal interest is the fact that the SAP voted *en bloc* against the motion with the exception of M Alexander, SAP member for Cape Town (Castle). Smuts and Smartt were both present at the call. It is difficult to determine why the SAP was so opposed to Pearce's proposal, and it may well have been that, like the National Party, they were reluctant to push the mining industry too hard in view of the significant tax payments and purchases made, all of which kept the economy afloat.

But the principles implicit in Pearce's amendment had been incorporated in Section 26 of the Act which required substantial annual details of a company's share capital, including the numbers issued for cash and those "otherwise for cash" together with "the nature of the consideration given for such shares" (Nathan, 1927: 100). The section stopped short of requiring a full valuation of a company's assets but called for an audited summary of a company's share capital, liabilities and assets with details as to how the values of fixed assets "have been arrived at" (Nathan, 1927: 100).

It was Hay, Labour member for Pretoria (West), who took the high ground view in financial disclosure. He stated "I think no one can question that everyone should have a full and fair deal in regard to public companies which go on stock market lists and deal with public money, and they should be prepared at all times to put before the public a fair and square account of what they hold in assets etc." (USA, HA Debates, Vol. 9, 24/3/1926: 1962). What Hay wanted specifically was the disclosure of shares held in other companies at director's valuation.

Hay pointed out that there had been much debate upon the amendment. He believed that the first part – disclosing the actual amount of cash received for shares – could be accepted but the disclosure in the balance sheet of the original vendor's interests would not be viewed positively by directors of companies. Hay declared that he could personally see no reason for non-disclosure and believed shareholders and the public

should know what the vendors had received. He declared that it "would have a very steadying influence upon company promoters" (USA, HA Debates, Vol. 6, 29/3/1926: 2041) if they understood what vendors received for their role in promoting a company. Hay stated that South Africa had a poor reputation worldwide for its company policy to the extent that invidious comparisons were drawn; for example, that given by a New York banking financier who declared an American concern as being "almost [as] bad as the transactions and the company flotations of the South African Kaffir [*sic*] market" (USA, HA Debates, Vol. 6, 29/3/1926: 2041). There is no way of either proving or disproving this. Again, the appointment of auditors was meant to remedy this kind of negative publicity. But *Union Statistics* (1960: K2) list the total capitalisation of all South African mines in 1911 as £93 196 000; by 1926 this amount had fallen to £75 644 000. The nadir was reached in 1932 with a figure of £68 714 000. The disparity could be the result of a number of factors, such as:

- reduced investment
- manipulation of data by the mining companies
- the impact of the Great Depression.

The total sales value for minerals in 1910 amounted to £43.1 million; in 1926 the amount was £58.8 million and in 1932, £56.8 million (*Union Statistics*, 1960: K4). Despite reduced capitalisation, sales appear relatively consistent.

Hay also believed that company investments in other companies' shares sold during a year, needed to be disclosed as he believed many people invested in companies "because of the known value of the subsidiary companies" (USA, HA Debates, Vol. 6, 29/3/1926: 2042). Mr Duncan, SAP member for Yeoville, retorted that shareholders could obtain the information they needed. To this Hay replied that companies and their chairmen were not always forthcoming. He pointed out that Parliament had adopted the slogan of "South Africa First" and believed it needed to be extended to "honest company administration, honest accounts and no concealment, and also in regard to public directors to watch the interests of shareholders" (USA, HA Debates, Vol. 6, 29/3/1926: 2043). Colonel Sir David Harris, SAP member for Beaconfield, declared that Hay, "having made frantic efforts to become a successful company-manager

himself, and having failed, is very hard on those company managers and directors who have made a success of their concerns" (USA, HA Debates, Vol. 6, 29/3/1926: 2044). The implicit issue of class was about to derail proceedings.

Mr Kentridge, Labour member for Troyeville, declared his support for the idea of companies disclosing the actual cash put into a company as well as the number and value of vendors' shares, the value of assets and the actual value of shares held in other companies. Without this kind of disclosure, he pointed out that a holding company could arrange its affairs such that the profits were made in the subsidiary company and unavailable to investors as dividends. In this instance, disclosure would benefit not only shareholders but the public at large (USA, HA Debates, Vol. 6, 29/3/1926: 2046).

The Minister of Justice intervened and stated that he supported the new clause but would consider the matter further to see whether information that should go to the shareholders could be "prevented from going to the public" (USA, HA Debates, Vol. 6, 29/3/1926: 2046). As it happened, Pearce's amended clause was rejected by the Senate.

ISSUE 7: THE DEFINITION OF THE TERM "AUDITOR"

The process of compromise continued until Mr DM Brown, SAP member for Three Rivers, moved the following proposal as a new subsection after Section 98(1) and one which clearly put the Four Societies in a dominant position:

> "Every auditor appointed in terms of the preceding sub-section shall be a member of the Cape Society of Accountants and Auditors, the Natal Society of Accountants, the Transvaal Society of Accountants or the Society of Accountants and Auditors in the Orange Free State unless the Minister approves in writing of the appointment of a person who is not such a member: Provided that nothing in this sub-section contained shall be deemed to prevent any person who at the commencement of this Act holds office as auditor to any company from being re-elected as such auditor" (USA, HA Debates, Vol. 6, 1/3/1926: 1104).

Brown pointed out that in the auditing of public companies in Australia and many American States, auditors needed the approval of a responsible person and

representative of the Government (USA, HA Debates, Vol. 6, 1/3/1926: 1104). He continued by saying that the societies mentioned in the amendment had been in existence for many years and had been examining and training their members to "equal anything in the world" (USA, HA Debates, Vol. 6, 1/3/1926: 1105). He noted, with regret, that while the auditing profession had a solid reputation, there were companies who were "not so particular about the class of person they [appointed]" as auditors (USA, Debates, Vol. 6, 1/3/1926: 1105).

The Minister stated that Section 238 of the Bill described an auditor "as a person publicly practising as an auditor or accountant" (USA, HA Debates, Vol. 6, 1/3/1927: 1105). He believed that was sufficient otherwise it would place a heavy burden on his Department in approving appointments. He also believed the shareholders had the right to appoint the auditor of their company. This attempt at self-interest was thus quickly neutralised by Roos, no doubt aware of the probable Government policy of "inclusiveness" in this matter.

The Minister was supported by Major GB van Zyl, SAP member for Cape Town (Harbour), who said the definition had been considered by the Select Committee "and under the circumstances [was] the best definition to meet all parties" (USA, HA Debates, Vol. 6, 1/3/1927: 1106). Mr J Christie, Labour member for Langlaagte, hit the bull's-eye and pointed out that Brown's suggestion would exclude many capable men as they were not registered auditors and

> "would open up the whole question of a Union Act [i.e. a single, national piece of legislation] for registered accountants again … If the accountants in the future, if they get a Union Act, justify the confidence that will be placed in them, the definition of 'auditor' would apply only to persons registered under the Union Act; but until that comes to pass I feel we would do a great injustice to many of the Cape firms who are auditing today" (USA, HA Debates, Vol. 6, 1/3/1926: 1106).

Brown believed Van Zyl to be misinformed and set about putting him right:

> "There is an incorporated society in Cape Town, but it has no Act of Parliament. The position is this – it is the same examination to get into the Cape and the Orange Free State Society as it is to get into the Transvaal and Natal ones. The difference is that in the Transvaal and Natal no person can practice as an accountant and auditor unless he is a member of the Transvaal or the Natal Society. In the Cape the qualification is the same for admission, and no man is admitted today except by examination" (USA, HA Debates, Vol. 6, 1/3/1926: 1106).

Brown concluded by saying that

> "Anybody [could] pay £10 in the Orange Free State and the Cape and practise as a 'public accountant'. The words 'public accountant' mean £10. That may not be the dictionary meaning, but that is the practical meaning. The Minister's profession is one of the most barred in the world" (USA, HA Debates, Vol. 6, 1/3/1926: 1106).

In a display of humour, the Minister of Justice replied: "That is why they are called barristers". Brown retorted that he was not punning and withdrew the amendment with the committee's assent. The issue of who or what constituted an auditor remained contentious as the Companies Act of 1926 contained minimal definition. It was the privately sponsored Designation Act of 1927 which conferred the status upon the four Provincial Societies of "Chartered Accountant (South Africa)". Companies seeking an audit would be sure to consider the new chartered accountants – and what they understood by this designation – as their choice. There was no compulsory requirement to choose a CA.

ISSUE 8: TAXATION

The Minister began the proceedings on 24 March 1926 with a technical request to discharge the order so that the Bill could be "recommitted under Standing Order 174 for the purpose of considering a clause imposing taxation" (USA, HA Debates, Vol. 6, 24/3/1926: 1936). The request was seconded and the Minister's request agreed upon; the House moved into Committee and dealt with the tax issues, principally the imposition of an annual company licence fee, paid at the rate of 5 shillings for each £1

000 or part thereof of subscribed capital. Inflated capital accounts were thus penalised. Failure to pay the licence fee resulted in the payment of an additional 10% of the cost of the licence for every month or part thereof that the company was in default. The Minister explained that the fee would result in a single fee across the Union as the Cape and Natal up to this time charged double the licence fee while the Transvaal and the Orange Free State charged nothing. This new section was agreed to and finally appeared in the Act in Section 228.

ISSUE 9: FINALISING THE BILL

The process of finalising the Companies Bill continued with the Minister introducing a number of new subsections dealing with debentures "to make a provision that has always appeared in the Cape Act [of 1892]" (USA, HA Debates, Vol. 6, 29/3/1926: 2048). A number of minor adjustments were made before the amendments were put and agreed upon.

With regard to Section 99 and the powers and duties of auditors, Duncan moved a new subsection which would require auditors at the annual general meeting to report upon the remuneration directors received from the company. A century later, the King Code requires extensive disclosure of all amounts paid to directors. Duncan explained that the remuneration packages for such individuals were often structured to include the use of a house or car or some other privilege which the auditors often found difficult to quantify. He acknowledged the difficulties the auditors experienced in obtaining an exact value, but pointed out the actual benefits received could be listed. The amendment was seconded by Mr W Rocky, SAP member for Parktown. The Minister declared that the information could be provided without being made generally public and that the shareholders should have the information as it was not available on the balance sheet. The amendment was put and agreed upon and became Section 99(5) in the Act (USA, HA Debates, Vol. 6, 29/3/1926: 2049).

The Bill was read for a third time on 20 April 1926 without debate (USA, HA Debates, Vol. 7, 20/4/1926: 2578) and it proceeded to the Senate. It was returned with amendments from the Senate to the House of Assembly, which met on 26 May. Most of the amendments were of a minor nature but Pearce's amendment – which had dealt

with the controversial disclosure of shares sold for cash, vendors' shares and the like– was omitted by the Senate, one of the few times in 1926 that it exercised this power.

Mr C Pearce, Labour member for Liesbeek, the section's originator stood up and lamented the Senate's decision. He drew a parallel between Britain's subsidised coal industry which was faltering due to "watered" capital and the South African mining industry which he believed to be close to a similar situation. He declared: "Large numbers of the gold mines have their capital watered to the extent of 200 to 300 percent. How is it that the millionaires have been created? It has been by the manipulation of shares" (USA, HA Debates, Vol. 7, 26/5/1926: 4195).

The Minister then stood up to reply and pointed out that, despite the feelings of the House, the Senate was "bitterly opposed to this section" (USA, HA Debates, Vol. 7, 26/5/1926: 4196) and that there was no chance of passing it. In order to preserve the Bill, the Minister urged the House to accept the Senate amendment "in order to pass a very useful bit of work, the foundation of which was laid years ago". The House agreed and the section was omitted but the Bill went forward as the Union Companies Act, No. 46, 1926.

CONCLUSION

The Companies Act of 1926 is a piece of Pact legislation often overshadowed by the Government's extensive programme of social legislation, economic development and the drive towards autonomy from Britain. Nevertheless, it was an important Act which anticipated the growth in the economy and companies, while providing for their orderly, uniform and regulated disclosure of financial probity – or lack of it. Users of audited financial statements produced in terms of the Act could do so with reasonable confidence. Also, as Langhout (1961: 5) points out, "It was undoubtedly the passing of the Companies Act, 1926, which gave great impetus to the profession". It is interesting to note that Langhout referred here to the "profession" and not the Four Societies in isolation. As well as the compulsory audit of companies, subsequent legislation added banks, building societies, cooperative societies, insurance companies and pension funds to the list of statutory audits, with the overall objective of regulation.

The 1926 Act was experimental in that it sought to impose upon South Africa a system which worked at the metropolitan centre but less so on the periphery of empire. In time, the 1948 Millin Company Law Amendment Enquiry Commission reported the need

> "for the immediate preparation and enactment of a consolidating Bill to put into orderly and scientific shape the disorderly and unwieldy mass of legislation constituted by the Act of 1926 [and] the numerous additions which have been superimposed on it" (Millin, 1948, 11).

From the perspective of the accounting profession, the need for all companies to be audited represented a major business opportunity, and the Four Societies were not slow in capitalising upon it. The Companies Act was enacted in June 1926; eight months later, on 1 February 1927, the Charted Accountants Bill was placed before the House of Assembly by representatives of these Societies. The use of the CA(SA) designation would give them an advantage.

But with opportunity came the paramount need right up to the 1980s for the audit to "bring to light any error or fraud which the auditor can and should discover by exercising reasonable care and skill" (Langhout, 1961: 5). In the context of 1926, Dicksee (1933: 97) listed the main procedures arising in the audit of a limited company which did not occur in the audit of a private firm (i.e. not a company) as follows:

(a) The audit of share capital and debenture accounts;
(b) The audit of dividend and interest accounts;
(c) Compliance with the various statutory requirements;
(d) Compliance with the Memorandum of Articles of Association, general Statutory Provisions and Acts of Parliament; and
(e) The statutory meeting and audit duties in connection therewith.

Even for a private company, the duties in terms of the 1926 Act were also onerous and included:

1. Keeping a register of members at the registered office, with the prescribed particulars (sec. 25).
2. Framing an annual list of members and annual summary, and transmission to the Registrar of four copies within thirty days after the annual meeting, together with a certificate by the secretary or a director that the company has not since the date of the last return, or, in case of a first return, since the date of incorporation, issued any invitation to the public to subscribe for shares or debentures; and, if the shareholders exceed fifty, that the excess consists wholly of persons who, under sec. 104, are to be excluded in reckoning the number of fifty. Penalty for default, £5 a day, payable by directors and officers as well as the company (sec. 26).
3. Keeping register of members, duly posted to date, at the registered office, and liability to furnish extracts from register (sec. 30).
4. Having a registered office (sec. 57).
5. Publication of name of company at registered office, on the company's seal (if any) and on all notices, advertisements, documents etc. (sec. 58).
6. Holding statutory meeting (sec. 60); *Gardner v Iredale* (1912) 1 Ch. 700).
7. Transmission of statutory report (sec. 60).
8. Holding annual general meeting (sec. 59).
9. Convening extraordinary general meeting on requisition of one-tenth of the shareholders (sec. 61).
10. Keeping minutes of all general and directors or managers' meetings, in either English or Dutch (sec. 66).
11. Keeping register of directors, managers, and secretary at registered office, with prescribed particulars, and making return to the Registrar in quadruplicate (sec. 70).
12. Keeping register of allotments at registered office, and transmission to Registrar of return of allotments in quadruplicate within two months after allotment – subject to relief being granted by the Court (sec. 85).
13. Stating sums paid as commission on shares or debentures in balance-sheet (sec. 87).
14. Issuing share certificates or debentures within two months of allotment, transfer etc. (sec. 89).
15. Keeping books and accounts of all transactions, in English or Dutch (sec. 90).
16. Keeping register of mortgages and debentures at registered office (secs 91–92).
17. Appointment of auditors at annual general meeting (sec. 98).

18. Duty to carry on business with at least two members (sec. 101).

(Source: Nathan 1927: 5–6)

In terms of institutional economics analysis, the 1926 Act represents property rights in that the CA designation was awarded for its use by a small but qualified minority and enforced by "political decision-making" (North, 1990: 48). In both the case of Parliament and the Four Societies, what North calls "incremental gain" (North, 1990: 49) depends on the "relative bargaining power" of the parties involved. It could be argued that while Parliament had absolute control, the passage of the 1926 Act allowed for a significant advantage for accountants going into the future. In essence, change occurred slowly at the edge, where two forces interact, better known as the margin (North, 1990: 49).

CHAPTER 10: THE CHARTERED ACCOUNTANTS DESIGNATION (PRIVATE) BILL OF 1927

[Dates given to indicate the rapidity of Parliament's response.]

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- The Issue of Articles and the Exclusion of the London Association (2–4/3/1927)
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    - Table 10.3: The Impact of Pearce's Agreement
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    - Table 10.4: Motion to Report Progress and Sit Again
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- Rayburn's Bombshell (3/5/1927)
- The House Reconvenes: Rayburn's Amendment Again (6/5/1927)
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- Conclusion

CHAPTER 10: THE CHARTERED ACCOUNTANTS DESIGNATION (PRIVATE) BILL OF 1927

INTRODUCTION: POLITICS AND ECONOMICS: 1924–9

THE BLACK ISSUE

In the Pact Cabinet of 1924, Hertzog chose the portfolio of Native Affairs, a post he had held in the first Union Government until relieved of it by Botha in 1912. Hertzog was a segregationist who linked the idea of reserves for Blacks with the idea that White labour took prioritisation and this was to be enforced by means of an industrial colour bar. In July 1926, Hertzog presented three Bills to Parliament – the Native Land Act Amendment Bill, a Union Native Council Bill and a Representation of Natives in Parliament Bill. The intention of the first Bill was to encourage Blacks to purchase land – instead of Parliament making a grant of it – close to areas already held by Blacks. The second Bill provided for the establishment of a Council of 50 Blacks – 35 of whom were to be elected – and was intended to replace the nominated Native Conference established by Smuts in 1920. The third Bill's intention was to remove Blacks from the Cape electoral roll and to give those in the four Provinces of the Union seven White representatives in the House of Assembly. These representatives were entitled to vote only on measures dealing with Blacks. Although Hertzog tried to enlist the support of the South African Party in voting for these Bills, Smuts refused to allow this. In 1927, the Bills were sent to a select committee, but it reported too late for them to be considered by Parliament before the session ended (Davenport and Saunders, 2000: 309).

With regard to the three pieces of legislation sent to Select Committee in 1927, the Representation of Natives in Parliament Bill found support amongst neither National Party supporters nor Smuts, who favoured a "high, uniform, non-racial franchise, backed by a civilisation test" (Davenport and Saunders, 2000: 310). As a result, the Bill failed on its third reading in the House of Assembly. Hertzog dropped the Native Council Bill before the 1929 election and followed Smuts' advice to establish councils under the Native Affairs Act of 1920 and to get them functioning properly before considering a general council. The Native Land Act Amendment Bill was also

withdrawn. Nevertheless, Hertzog was persuaded by Tielman Roos, his Minister of Justice and key man in the passage of the Companies Act, to contest the forthcoming 1929 election on the basis of a "white South Africa" (Walker, 1957: 625).

In the interim, Parliament had enacted a Native Administration Act which granted wide powers to the Governor-General over Blacks and their lands in all Provinces except the Cape. In 1929, the Act was amended to include Black workers throughout the Union under a system of pass laws. Prior to this, the 1926 Mines and Works Amendment Act limited the ability of mine management to replace White labour with Black labour.

In a sense, these measures were the other side of the coin which dealt with White labour and made it a political force in the changed political environment after the General Election of 1924 (Feinstein, 2007: 111). This is clearly indicated in the debates in the House of Assembly in the period 1924–7 when Labourites like Waterston and Rayburn made an impact, much to the discomfort of SAP members like Close, the member for Rondebosch. The Labour Party's impact was short-lived in that their support base was narrow – simply comprising English-speaking White labourers. The General Election of 1929 saw the Labour Party trimmed from 18 seats to five (Davenport and Saunders, 2000: 710).

Further, the Natives (Urban Areas) Act of 1930 and the Native Service Contract Act of 1932 sought to prevent the loss of Black labour on farms. This was an important measure as agriculture, until the Depression of the 1930s, contributed more to gross domestic product and employed more people than gold mining (Feinstein, 2007: 107). The *Union Statistics* digest produced by the Bureau of Census and Statistics in 1960 listed the total number of people employed in gold mining in 1930 as 236 305 of whom 22 895 were White (*Union Statistics*, 1960: G5). The equivalent figure for agriculture was 749 197 people of whom 184 811 were White (*Union Statistics*, 1960: G3). In both instances, the overwhelming majority was Black, indicating their critical importance to the economy.

THE GROWTH OF TRADE UNIONS

On the economic front, the first years of the Pact Government saw an increase in South Africa's prosperity. Good rains in 1925 coupled with the discovery of platinum in the

Transvaal and substantial diamond fields in Lichtenburg and Alexander Bay enhanced the status of the new administration (Breitenbach *et al.*, 1974: 346). The reality was a little different as a result of events such as the growth of the Industrial and Commercial Workers' Union (ICU). By 1925, it could claim a nationwide membership of 50 000, most of them Blacks (Walker, 1957: 622). In addition, other Black trade unions multiplied on the Rand, and this early period of trade unionism became chaotic with the ICU stumbling from crisis to crisis.

In White politics, the National Labour Council, comprising hard-line socialists, expelled nine of the 18 Labour members of Parliament from that Council, including Creswell who had brokered the pact with Hertzog and had been rewarded with a cabinet post. Any united Labour response to issues in Parliament was unlikely, as evidenced by the voting patterns for the Designation Bill debate. This event occurred at the same time the ICU was attempting to resolve a strike by Blacks employed at a state veterinary centre near Pretoria. While the Cabinet was scheduled to consider a response to the strike, Walter Madeley, a Labour member of the Cabinet and a supporter of the National Labour Council, met with an ICU delegation. This was not approved by the cabinet, wary of any form of trade unionism. Hertzog used his Nationalist majority to reshuffle the cabinet and sack Madeley (Davenport, 1987: 298).

The Labour component of the Pact Government was clearly split between hard-liners and moderates, with the Communist Party element ultimately exchanging its White support for that of Black workers (Walker, 1957: 624). These events, coupled with the Government's failure to secure the passage of the Representation of Natives in Parliament Bill, heightened the Pact Government's fear of the "black peril" and led to the National Party's growing segregationist vision against the South African Party's belief in "letting the situation develop" (Breitenbach *et al.*, 1974: 359).

INDUSTRIAL DEVELOPMENT: 1925–9

In economic terms, the period 1925–9 was marked by a Government policy to increase industrial development. In 1924–5, the economy was driven by fundamental consumer industries, such as the processing of food, beverages and tobacco as well as heavier industries producing chemicals and metalwork mainly for the mines (Feinstein, 2005: 115–6). The development of heavy industry was needed.

As Nattrass has pointed out (1990: 166), increases in output result from a greater input of the factors of production, a better utilisation of these factors or a satisfactory mix of the two. She demonstrated that in the period 1919–76 there were significant inputs of labour and capital into manufacturing in South Africa and that of the total annual growth in capital in this period, 75 per cent was ploughed into new employment creation while 25 per cent was invested in more effective methods of production. But in the period 1919–46, all new investment was allocated to "capital widening" – that is: the greater use of production methods then employed – i.e. "more of the same".

One further point needs to be emphasised. Much of the production from the new factories was based upon imported raw materials rather than the beneficiation of South African materials. As Hobart Houghton has pointed out (1976: 122), the reasons for this were the small size of the South African market, the application of capital widening techniques and various technical issues. The exception to this trend was the establishment in 1928 of the South African Iron and Steel Industrial Corporation (ISCOR) as a direct result of the Government's involvement in the process after 1924. The iron and steel works were created to utilise South Africa's large reserves of coal and iron ore.

In such a progressive economic environment, audited financial statements were necessary to secure loan finance and – critically – investment.

Another factor behind the Government's policy of industrial growth was its realisation that only in the creation of new jobs could the Poor White problem have any chance of a solution. With the growth of more sophisticated industries, employment opportunities could be reserved for whites as manufacturing would need greater percentages of skilled and semi-skilled workers than the mines (Feinstein, 2005: 118).

Other reasons that influenced the Government's policy were a desire to reduce the power of foreign-owned mining companies on national grounds, a determination to achieve a fully independent South Africa, and a realistic understanding that the mines would eventually deplete the mineral resources mined. In such a situation, other streams of revenue and means of employment were needed (Feinstein, 2005: 118).

The method used by the Government to achieve quick industrialisation was through a revived tariff protectionism aimed at import substitution and implemented through the Customs Tariff Act of 1925. Far from being a primitive instrument, the Act carefully avoided an increase in duty on capital goods or materials needed in mining, agriculture or the nascent manufacturing industries but there was an unfortunate "knock-on" effect in indirect costs arising from tariffs applied (Feinstein, 2005: 119). But overall, the results achieved were encouraging.

The Act also provided for a revived Board of Trade and Industries with additional power to protect secondary industries and implement the political policies of job reservation (Feinstein, 2005: 119). As a result of these efforts, manufacturing increased as illustrated by the following tables:

TABLE 10.1

GROWTH OF MANUFACTURING INDUSTRY, 1924–9

	1924–5	1928–9	Increase between 1925 and 1929 %
Number of establishments	6 009	6 238	4
Number of workers:			
All races (thousands)	115	141	22
Whites only (thousands)	41	54	32
Others (thousands)	74	87	18
Value of gross output (R millions)	115	161	39
Value of net output (R millions)	49	67	37

Source: *Union Statistics* (1960: L3); and Hobart Houghton (1976: 122).

TABLE 10.2

GROSS DOMESTIC PRODUCT BY KINDS OF ECONOMIC ACTIVITY 1911–40 (R MILLIONS)

Year Ending 31 Dec	Agriculture, Forestry & Fishing	Mining & Quarrying	Manufacturing	Construction	Electricity, Gas & Water	Transport	Trade	Financial Institutions & Real Estate	Government	Other	Total
1911	62.3	83.9	11.4	2.2	2.7	28.6	37.9	8.5			
1920	122	109	40	8	6	53	86	15	42	80	562
1925	107	84	41	9	7	58	78	15	41	89	530
1930	78	95	51	10	11	62	82	15	46	103	554
1935	93	133	73	14	15	73	92	24	50	113	680
1940	120	203	114	18	23	94	136	30	104	145	989

Source: Breitenbach *et al.*, 1974: 446.

THE CHARTERED ACCOUNTANTS' DESIGNATION (PRIVATE) BILL OF 1927

The last recorded entry in the Union of South Africa Debates in the House of Assembly for the South African Society of Accountants (Private) Bill is dated 9 June 1925. On that date, the House supported a motion by the Hon. CR Swart, National Party member for Ladybrand and member of the Bill's Select Committee, to suspend the debate on the Bill to the next session of Parliament "at the same stage as that at which the proceedings are now suspended" (USA, HA Debates, Vol. 4, 9/6/1925: 4213). With the imminent departure of Close, Swart assumed the role of spokesman of the Four Societies.

During the intervening period, Swart agreed to attempt to amend the Bill so as to meet its opponents' criticisms or to present a new Bill. Neither happened before the next session of Parliament and the Bill faded into obscurity. According to Hay, Labour member for Pretoria West, the Bill's promoters "abandoned" it in 1927 because of the opposition it aroused (USA, HA Debates, Vol. 8, 1/4/1927: 2148). It is not difficult to determine why Hay came to this conclusion – the opposition to the Bill had been strong

and the promoting Societies were not prepared to surrender the two significant points that caused most of the friction:

- that of reopening the Transvaal and Natal membership registers to allow in all practising accountants, as was proposed for the Cape and Orange Free State; and
- the other being a period of 18 months articled service with a registered and practising member of the Society. Both points were backed by practical reasons.

The Transvaal and Natal Societies had been in existence for a long period of time, both established by statute and both had longstanding entry requirements comprising examinations and a period of articles. They had also begun to receive recognition for their display of professionalism and believed reopening the registers would not only jeopardise that status but would also be unfair to those members who had qualified in accordance with the set standards since 1909. With regard to tutelage, a period of supervised practical experience was (and still is in 2013) deemed necessary so as to orientate the trainee in the workings of the office of a practising accountant.

In addition to the above reasons for the disappearance of the 1924 Bill, a more practical reason existed for the abandonment of the Bill, that being the presentation to the House of Assembly on 1 February 1927 of the Chartered Accountants' Designation (Private) Bill which was passed by the examiners on 3 February as having complied with the House's Standing Rules (USA, HA Debates, Vol. 8, 3/2/1927: 48).

The Bill was brought up and introduced by Swart on 8 February 1927, and read for the first time (USA, HA Debates, Vol. 8, 8/2/1927: 144). As it was a private Bill, the next stage was to submit it to a select committee of the House (Kilpin, 1946: 22). This was proposed by Swart on 15 February when the Bill came up a second time and agreed to by the House. As the Bill was to be opposed, the Speaker notified the House on 17 February that the Committee "would meet as on an opposed private Bill" (USA, HA Debates, Vol. 8, 17/2/1927: 408). The opponents of the Bill were the:

1. Institute of Chartered Accountants in England and Wales (1880);
2. Institute of Accountants and Actuaries in Glasgow (1855);

3. Society of Accountants in Edinburgh (1854);
4. Society of Accountants in Aberdeen (1867) and
5. Institute of Chartered Accountants in Ireland (1888).

All had been incorporated by Royal Charter in the United Kingdom and their members were entitled to call themselves Chartered Accountants and to use the designation "CA" and their concern was that this entitlement would be infringed and confusion would result (SC5, 1927, Appendices B–C: iii–v).

There is strong circumstantial evidence to suggest that the Designation Bill was a "quick fix". Under the successive administrations of Botha, Smuts and Hertzog, the Union had achieved peace within its borders, regulated labour, especially on the mines, and was developing both infrastructure and the economy. The Companies Act was an important element in the growth process. It was a complex piece of legislation requiring competent practitioners to both implement and audit. Small practitioners were unlikely to have the resources to audit anything but the smallest of clients. However, the Four Societies were established Union-wide and since 1919 had been active in developing the South African profession. They were also unpopular with certain sectors of the profession – like Government accountants – whom they had refused admission to the proposed new society to be established in terms of the Accountants Bill of 1924.

South Africa would soon be able to challenge the British on their political status. The issue of the precise constitutional nature of Britain's standing *vis-à-vis* its Dominions, was of importance to South Africa with its tradition of Afrikaner secessionism. The matter was raised by Hertzog at the Imperial Conference in London in 1926 and gained support from Ireland and Canada, disinterest from New Zealand and Newfoundland, and agreement from Australia's premier, SM Bruce (Breitenbach *et al.*, 1974: 352). When the British Secretary of State in India, Lord Birkenhead, supported Hertzog's proposal to define the status of Dominions, a committee under a former British Prime Minister, Lord Balfour, was established to consider the matter. The subsequent Balfour Declaration detailed a number of key principles, the most important being that Britain and the Dominions were autonomous and equal within the Empire. There was no subordination of any of the participants in any element of domestic or foreign affairs, but there was a unity in a common allegiance to the King and a voluntary association in

a Commonwealth of Nations (Breitenbach *et al.*, 1974: 353). The 1924 Bill had failed but it highlighted the following:

1. the designation "CA(SA)" had been thoroughly debated when the 1924 Accountants Bill had been on the table and had wide South African support, the main issue being who in South Africa could use it;

2. the main opponents in 1927 were, *de jure*, the five United Kingdom societies (listed above) but also, *de facto*, the South African Labour Party which espoused the cause of the White worker, whether a blaster on the mines or an accountant in a Government office. In this way, they often did not have the support of their Pact allies – the National Party – who were more concerned with the Poor White problem, the mines and the development of the country's industrial infrastructure. Neither group of opponents was particularly popular with members of the House: the chartered societies because of their perceived support for British imperialism and Labour for its perceived radicalism; and

3. there had been indications, such as voting patterns in the House, that members of both the SAP and National Party tacitly supported the Four Societies in their quest for a unified profession, but were constrained in their support for the current proposal by the need to ensure potential members of the new society (and voters) were not treated unfairly.

This thesis suggests the Four Societies found an alternative route to achieve their goal of paramountcy within the profession. The conclusion was probably that, if a unified society could not be established in time to service the Companies Act, a well respected and proven designation judiciously applied could. What follows is a narrative of key proceedings with analysis of specific issues as they impact upon the profession and its concerns. While Hertzog's segregationist policies may not have impacted directly upon White accountants, they were (and remain) central to South African history and the milieu in which the profession functioned.

THE SELECT COMMITTEE

The Select Committee to consider the Designation Bill was convened formally on 17 February 1927 with five members, including Dr H Reitz as Chair. Reitz, National Party member for the North East Rand, would later introduce two Private Member's Bills in 1935 and 1936 dealing with the registration of accountants, probably at the request of the Institute of Accountants' of South Africa. Neither would succeed. The other members of the Committee were Rood, Christie, Moffat and Major Richards. The latter two were members of the SAP, while Christie was Labour and Rood was a Nationalist. Any vote along Party lines or the Pact would see the SAP in the minority. The first proper meeting of the Committee was on 25 February and it would meet on a further seven occasions, six of them concerned with accepting evidence and interviewing witnesses. The last meeting was on 8 March. Formal opposition to the Bill was led by the now familiar figure of Advocate Mars appearing for the opponents to the Bill. Mars was instructed by the old firm of Fairbridge, Arderne and Lawton (SC5, 1927, Proceedings: x).

The equally familiar figure of the Parliamentary Agent – Mr Walker of the firm of Walker, Lewis and Le Roux – appeared for the Bill's promoters, these being the four accounting Societies who had promoted the failed Bills of 1913 and 1924. Of all the *dramatis personae* present before this Committee, Walker alone had experience of the issues stretching back to 1913 in which, moreover, he had appeared for the opponents of the Accountants (Private) Bill of that year. A petition in opposition to the Bill had also been lodged by another familiar figure – AS Hooper, Associate of the Institute of Chartered Accountants in England and Wales.

It was the simple contention of the opponents to the Bill that the use of the designation without the qualification "South Africa" or "SA" infringed the rights of those accounting societies in the United Kingdom which had been incorporated by Royal Charter and were thus already legally entitled to the use of "chartered accountant" or its abbreviation "CA".

The four South African Provincial Societies were the promoters of the Bill and sought a simple boon from Parliament – the use of the designation and its abbreviation, CA(SA). Their petition went on to seek the provision of a fine of £50 for those using the

designation “Chartered Accountant (South Africa)” or its abbreviation, either alone or in combination with other words, unless such people could prove membership of one of the Four Societies, or a society incorporated by Royal Charter or legislative enactment, membership of which was accepted for admission to the four South African Societies. The Select Committee’s final recommendation was to support the Societies’ request, this after careful consideration was given to the points of view of all those who appeared before the Committee. Understandably, much of the time was spent in investigating the term “chartered accountant”, a topic which had been aired in the debate on the 1924 Bill.

BEFORE THE SELECT COMMITTEE

There was one substantive issue before the Committee: the South African use of the designation “chartered accountant” which was largely resolved by the addition of “SA” to denote South Africa as the accountant’s place of training.

Two other issues arose in the course of the debate for which there was no immediate solution: service under articles and the position of unqualified accountants – particularly, municipal and Government accountants.

Much of the material presented to the Committee was a repeat of what had been presented in the debate on the Accountants Bill. This was necessary as the issue was being considered in its own right. The Committee interviewed eight people in the period 25 February to 8 March. Most supported the aims of the Bill.

NS WOOD

Before the Committee, and in support of the Bill, NS Wood – a public accountant practising in Cape Town – described the term as “generic” in that it could apply to many accountants but opined that to the public it meant that “the holder of it [was] a qualified practising accountant, a public accountant of high qualification” (SC5, 1927: Q128). Therein lay the crux of the matter.

Wood pointed out that without the designation, South Africans were professionally at a significant disadvantage in the eyes of the public when compared to their British counterparts. This disadvantage could be neutralised, he believed, by the use of the

designation "chartered accountant". When asked whether some other title would achieve the objective of putting the South African qualification squarely in the public eye, Wood answered simply: "Another title [would] not give it to us" (SC5, 1927: Q189). There was a precedent for this; earlier in the proceedings, Wood had informed the Committee that there were "ten separate and distinct bodies of chartered accountants in Canada incorporated by legislative enactment" (SC5, 1927: Q101). When asked whether any Canadians had been accepted into the South African Societies, Wood replied none had applied and if anyone did "we should have to look into their qualifications and see exactly what the standard [was]" (SC5, 1927: Q176).

GE D'ARCY ORPEN

After Wood, the Committee interviewed Mr GE D'Arcy Orpen, the managing director of Syfrets Trust Co. Ltd in Cape Town and a fellow of the English Society of Accountants and Auditors which had been incorporated in 1885 under licence from the English Board of Trade (SC5, 1927: Q201). Orpen had been an accountant in the Cape since 1901 and possessed a wealth of local information. He stated, for example, that the Bills of 1913 and 1924 had been costly exercises for the promoting Societies; the Cape Society's share had been between £5 000 – 6 000 (SC5, 1927: Q201). He also put the Designation Bill in a nutshell and added weight to the idea of the Designation Bill as a "Plan B" and a "quick fix" when he stated:

> "The present measure abandons the idea of a single body incorporated by Statute and does not seek to impose the principle of compulsory registration as a condition of practising the occupation of an accountant. It is concerned simply with the provision of a suitable title for the members of the promoting societies and its restriction in use to their members" (SC5, 1927: Q201).

In general, Orpen agreed with the aims of the promoters of the Bill and put his view clearly when he stated:

> "The promoters of the Bill have no desire to refuse the overseas chartered men equality of opportunity to practise in South Africa, but they feel that there is a great principle at stake. The principle aims at procuring for South Africans and their descendants whose qualifications are decided by standards in no wise

> inferior to those of overseas practitioners, an equality at the very least in South Africa with such practitioners in the rewards open to the profession. This is sought by the Bill" (SC5, 1927: Q201).

With reference to an English journal called the *Chartered Accountants' Journal*, Orpen quoted facts produced therein that while 75% of "large firms" in the United Kingdom required chartered accountants to audit their entities, 95% of companies incorporated in South Africa "insist by their articles or resolutions of shareholders that chartered accountants must be [their] auditors" (SC5, 1927: Q201). How these facts were derived and how many foreign companies incorporated elsewhere were excluded is not detailed. But the point made was that auditors were considered necessary.

Orpen also made reference to the fact that the Pact Government of 1924–9 supported the industrialisation of the South African economy which, in turn, intended to stimulate foreign investment in industries other than mines. He stated:

> "These people overseas have it in their minds that the "Chartered Accountant" is the man who is qualified out here and those starting business here naturally prefer to employ a chartered accountant to a man who carries on his business under a designation they do not understand" (SC5, 1927: Q254).

THE ISSUE OF ARTICLES AND THE EXCLUSION OF THE LONDON ASSOCIATION

Matters which generated heat during the proceedings of the Committee were the hoary annuals: the status of the non-chartered accounting societies in South Africa and municipal and Government accountants. Before the Committee, on 4 March, JDH Lang, the Registrar of the Transvaal Society of Accountants, put the case. The Societies had no quarrel with such organisations as the London Association of Accountants, but were "at variance with their means of admitting members. They do not make it a condition that [prior] service should be with a public accountant" (SC5, 1927: Q411).

As detailed in earlier Chapters, from the 1924 Bill onwards, the four South African Societies made public their firmness on the issue of a period of articles of clerkship being served under the aegis of a practising member of one of the Four Societies. In

1927, the period of service for articles was four years; non-articled clerks were expected to serve six years (SC5, 1927: Q79). In certain United Kingdom societies, a premium was charged to accept a young man as an articled clerk (SC5, 1927: Q364). This was not the case in South Africa. In his evidence before the Committee on 2 March, HCOS Mockford, a member of the Transvaal Society, stated this and that in their first year articled clerks earned £5 a month. Depending upon their ability after that, they could earn as much as £15 a month (SC5, 1927: Q365–6). These amounts were available in the Transvaal; wages in the other Provinces were probably smaller. As a point of reference, in 1913 the Accountants Bill of that year envisaged an entrance and subscription fee of 5 guineas to the proposed new Society. In 1926, the London Association charged £33 to admit an associate member to their society (SC5, 1927: Q443). There was a clear *impasse* – the Four Societies would only yield finally to legislation in 1951.

THE IMPACT OF LABOUR: HARSH CRITICISM OF AND STRONG DEFENCE FOR ARTICLES

The impact of Labour on the Accountants Bill of 1924 was significant. By highlighting the plight of the ordinary accountant excluded from the benefits of the Bill, the Labour MPs highlighted its selectivity and potential unfairness. The process could not easily stand the glare of popular opinion. Undoubtedly Labour tried it again with the Designation Bill – and failed due to a combined SAP/Nationalist vote, often leaving Labour isolated on the floor of the House. Also, Pearce, Labour member for Liesbeek, was not above voting independently of his party fellows.

At the meeting on 4 March, Waterston, the Labour member for Brakpan and a replacement for Christie – also a member of the Labour Party – on the Committee – put it bluntly to Lang: "the only useful purpose [articles] will serve is that it will enable your Society to create a close preserve, and enable you, as it were, to control competition" (SC5, 1927: Q458). Predictably, Lang denied this and stated the purpose of articles was to ensure clerks received a proper training and were properly qualified when "launched on the public" (SC5, 1927: Q459).

Waterston was not to be deterred and hit the bull's-eye with the point that while articles were recognised as a prerequisite for entry into one of the Four Societies, and hence to

the coveted designation "chartered accountant", this put the Societies "in a position to decide how many young South Africans shall be trained for the profession in this country and how many shall not be trained" (SC5, 1927: Q460). Again, Lang disputed this fact, but the reality was that articles placed a restriction upon the ability of non-chartered accountants to recruit clerks and this was to be a continuing unresolved matter in the debate around Pocock's Bill of 1938. This was a crucial issue in a growing economy and its need for skilled manpower.

Waterston continued by asking whether accounting experience gained in "a concern carrying on in a big way" would be better than "in the office of a small accountant doing very little" (SC5, 1927: Q465). To this Lang answered that in such a situation, the clerk would gain "greater practical experience in a particular branch but not in accounting generally" (SC5, 1927: Q466). The profession remained adamant – it would train the clerks. As Lang put it: "We reckon that is the only way we know of to indicate that they are properly qualified" (SC5, 1927: Q481).

Waterston was unrelenting in his questioning. He asked Lang if when the Transvaal Ordinance was passed some of their founding members, admitted to the resulting Transvaal Society, were insufficiently qualified. Lang admitted this had been the case (SC5, 1927: Q493). Waterston, playing devil's advocate, pointed out that "in those days you were making a new start, [and the object of the Society] was not to hurt anyone who was making a livelihood at that time … your object being that later on, of course, you would raise the status of your profession" (SC5, 1927: Q499–501). Lang agreed the implication being it could be done again in a new start to the profession. New Zealand was an example where this had happened and was now "coming right".

Waterston then turned the focus of his questioning to the London Association, pointing out the inherent contradiction in Lang's stand – that while London Association members were perceived not to have the same standard of qualification as those of the chartered societies, there had been a time when members of the emerging South African Societies were in a similar position. Again, the implication was clear – perhaps the Designation Bill offered a similar opportunity: this time to achieve a thorough unification of the profession. Lang remained unconvinced and it was later pointed out

that neither the New Zealand nor the Canadian Societies accepted London Association certificates as sufficient for membership of their Societies (SC5, 1927: Q646–53).

Undoubtedly, the Societies objected to what they perceived to be low standards in the London Association. This had been an issue in 1924 as well. While being interviewed by the Committee on 2 March, James Douglas, a Scottish Chartered Accountant and a member of the Cape Society for 22 years, stated that he believed the London Association did "a good deal of good" by giving its young men the opportunity to pass examinations. But the fact that they did not serve a period of apprenticeship meant for Douglas that "we are going to put a body of men on the public and represent them to be what they are not" (SC5, 1927: Q387). Like Lang, Douglas was adamant – London Association members who sought admission to the Cape Society needed "to comply with our rules, that is, service in an accountant's office and examination" (SC5, 1927: Q390). In support of this, and in an oblique reference to the Designation Bill, Douglas pointed out that in his office he had articled clerks who were passing the examinations set by the South African Society.

> "If Cape Town was in Edinburgh these men would be chartered accountants when they had finished their training; it is just a question of geographical difference. I am a chartered accountant myself, and they are taking any examination we put before them, but because my office is not in Edinburgh they become "Certified Accountants (Cape)" instead of "Chartered Accountants" " (SC5, 1927: Q393).

The meaning in Douglas' comments was that the Four Societies were producing good accountants able to compete with the best the United Kingdom could provide, but the South Africans needed a designation which would do justice to that fact, and the London Association would not.

Douglas' evidence was supported by that of GE D'Arcy Orpen who made two points. Firstly, the audit of registered companies in India could only be performed by those licenced to do so by its Government and the Government only issued licences to candidates who had passed examinations and served an apprenticeship "to one of the few practising accountants chosen by the Government" (SC5, 1927: Q201). The

requirement for articles was thus common elsewhere and a critical one at that. And, secondly, it underlined the importance of a period of articles, which meant, in turn, that members of the London Association as well as members of the South African Public Services who had not served articles could not be admitted to the Societies nor benefit from the designation. The Four Societies had a record which indicated their methods worked.

THE TRANSVAAL SOCIETY IN 1927: AN ANALYSIS OF A SUCCESSFUL PRACTITIONER SOCIETY

The Transvaal was the oldest and biggest accounting society in South Africa, an understandable fact given its location in the mineral-rich province. It was ready for the next step – the award of the designation.

On 2 March the Committee interviewed the President of the Transvaal Society of Accountants, Mr R Hemphill, who produced numerous facts designed to inform and impress the Committee. The Society's membership in 1927 stood at 449, 196 of them new on the register since the Society had been formed in 1904. Hemphill broke down the new membership as follows:

100	examined by the Society itself
15	from the affiliated South African Societies
30	from the Chartered Societies
50	from the Incorporated Society in England
1	from an "approved Australian Society"
196	in total.

(SC5, 1927: Q269).

(The number of Incorporateds is interesting, given the shabby treatment they were given over inclusion in the 1924 Bill. Clearly their use had declined with the profession's growing sophistication.)

Other facts were equally impressive by the standards of the day. In 1915, the Transvaal Society had been influential in the creation of a Faculty of Commerce at the University

of the Witwatersrand. In the period 1915–20, the Society had spent £3 000 in supporting this development as well as a similar initiative at the fledgling Transvaal University College in Pretoria. Members of the Society had been instrumental in devising the yearly examinations in accounting and auditing. Hemphill pointed out, "All the professors and lecturers in accounting are members of the Society, and what is more, are so by examination and training" (SC5, 1927: Q269). He stated that most of the students, who passed, entered careers in commerce and the Civil Service. The Transvaal Society thus made a positive contribution to the community in which it functioned.

Hemphill continued by stating that in the past, the Society had, at considerable cost, compiled, published and distributed legal decisions affecting the profession while, at a conservative estimate, it had spent £1 500 in its 22 years of existence investigating alleged bad conduct on behalf of its members. In addition, he revealed that the Society's involvement in the two failed attempts at putting the private bills through Parliament had cost it £2 000.

Hemphill estimated that, since 1904, the Society had generated about £30 000 in revenue from subscription fees and other sources, and of this, about £20 000 had been spent in the administration and the running of examinations. "My point is this, that we have spent two-thirds of our income in minding our own business as it were and we have spent the other third in doing some good for the profession generally outside" (SC5, 1927: Q272).

Hemphill listed other pertinent details. The Society had "framed a syllabus of examination" in respect of the intermediate and final levels. With regard to the former examination, the society had examined 247 candidates, 54% of whom had passed. At the final level, 255 had been examined and 41% had passed of whom six, for some reason, had not joined the Society (SC5, 1927: Q272).

The Society had introduced "articles of service" in South Africa and, to date, had registered 180 individuals, 72 sets of articles being current with "at least 50 other young fellows who are qualifying through the University" [before signing articles] (SC5, 1927: Q272). Hemphill then outlined the examination process in South Africa which,

since 1919, had been conducted through the General Examining Board. The Board comprised one member from each Province and all examinations were moderated under its supervision to ensure a uniform standard.

> "These standards compared with similar examinations of other accounting institutions are ranked high. The candidates' answers are marked by both the internal and external examiners and in any dispute the Board is the final arbiter" (SC5, 1927: 272).

Hemphill pointed out that the Societies' system of examination had been devised "with the help of overseas Chartered and Incorporated men and I am glad to say that even today we have got their help" (SC5, 1927: 272).

RULES OF THE GAME: WATERSTON REPLACES CHRISTIE

Impressive as the Transvaal Society's record of service was, the case of opponent or proponent could always be strengthened through careful use of technicalities in the process. As demonstrated in the analysis of the 1913 and 1924 Bills, both opponents and proponents sought advantage through Parliament as the supreme arbiter of law. In both cases, the rules of Parliament were used to best advantage without breaking them. Through such means, parties to a case sought advantage. At least one member of the Select Committee – Christie, the Labour member for Langlaagte – was a proponent of the defunct 1924 South African Society of Accountants (Private) Bill. He left the Committee on 4 March shortly before the Committee reported to the House and was replaced by the doughty opponent of that Bill, Waterston, the Labour member for Brakpan. This would create a technical problem and an opportunity for Waterston to filibuster within the rules. Christie had attempted to prevent the late applicants wishing to give evidence in opposition to the Bill from doing so, but all his colleagues on the Committee disagreed and voted against such an approach, undoubtedly wishing the proceedings to be as inclusive as possible so as to ensure a result perceived to be legitimate (SC5, 1927, Proceedings: viii). It is not clear whether this disagreement is what led to Christie's departure from the Committee. His replacement, however, was more sympathetic to the opponents of the Bill.

On Waterston's second day on the Committee, 7 March, it resolved that its Chairman report to the House and seek leave to amend the Bill's Preamble by adding to the end of the Preamble a phrase with the words "shall be a punishable offence" in connection with the unauthorised use of the designation "Chartered Accountant (SA)" or any abbreviations thereof. The reason for this was that while the phrase had been included in the published notices of the objects of the Bill, it had not been included in the Preamble. Waterston sought a ruling as to whether he, as a new member of the Committee, could vote in Committee on an amendment to the Preamble, the reason being that, as a replacement, he had not heard all prior evidence put to that Committee (SC5, 1927, Proceedings: xiii). This point of order had the potential to slow proceedings.

The Chairman, Dr H Reitz, sought a ruling from the Speaker of the House on the same day, as well as attending a meeting of the House to bring up a special report to seek its permission to amend the Bill's Preamble in line with the published notices. This was granted. The following day, 8 March, Reitz laid before the Select Committee the Speaker's ruling that:

1. In terms of Standing Order No. 51 of both Union and British Parliaments, no member could vote on any question arising without having "duly heard and attended to the evidence relating thereto" (SC5, 1927, Proceedings: xiv);

2. In the Cape and Union Parliaments members replacing others on select committees had always recorded their vote on the question "that the Preamble stand part of the Bill" and there had been no objection; and

3. The House expected members to vote and there could be no objection to a member so doing "after he had made himself fully acquainted with the evidence" (SC5, 1927, Proceedings: xiv).

Thereafter, the Select Committee debated the amendment to the Preamble and voted upon it, with Waterston being the only one against. The Committee then debated and voted upon a number of minor but consequential amendments to the Bill. In these proceedings, Waterston was consistently in opposition, even to the final vote where

Waterston's attempt to slow the Bill's progress having failed, "the Chairman reported the Bill with amendments and specially the amendments in the Preamble" (SC5, 1927, Proceedings: xvi).

THE BILL BEFORE THE HOUSE: MARCH-MAY 1927

The Select Committee completed its task on 8 March. On 11 March 1927, Reitz brought up to the House the amended Bill and Preamble and it was booked to be read a second time on 18 March. It only came up on 1 April.

Swart moved to have the Bill read a second time and outlined its history pointing out that the Bill would be particularly advantageous for young South Africans who, in the past, had had to go overseas to acquire the title of Chartered Accountant. He further pointed out that it had not been the Select Committee's aim to antagonise the Chartered Societies in England, Scotland and Wales, and amendments had been made to satisfy them. "They are, therefore, not opposing us because they admit that the four Societies of the Cape, Natal, Transvaal and the Orange Free State which are mentioned in the Bill have the same grade of qualification as they themselves" (USA, HA Debates, Vol. 8, 1/4/1927: 2143).

THE PEARCE AGREEMENT

Swart then made mention of the fact that the present Select Committee had not heard some opponents of the Bill who had previously given evidence before the Select Committee of 1924. They had then followed the acceptable parliamentary procedure of petitioning the House directly and Mr Pearce, the Labour member for Liesbeek, had taken up their cause in a Member's Bill. He had done something similar in 1925 with the Accountants Bill. Such an action could delay or even derail the Designation Bill. This had resulted in negotiations and a settlement had been reached, the details of which could not be incorporated in the Bill because they had not been covered in the Preamble and time was short. A written agreement had been drawn up to the satisfaction of Pearce and he had withdrawn his Member's Bill. In the agreement, the Bill's promoters agreed "to embrace all accountants who [were] qualified in the Union" (USA, HA Debates, Vol. 8, 1/4/1927: 2145). Thus, a serious obstacle to the Bill had been withdrawn.

Pearce then entered the debate and supported the Bill. He pointed out, argumentatively, that while the private Bill did not "embody democratic ideas of legislation, the Public Bill introduced by [Pearce] embodie[d] the principle that all accountants should have an opportunity to qualify" (USA, HA Debates, Vol. 8, 1/4/1927: 2145). Despite the fact that some considered the agreement to have no status because it was not embodied in the Bill, he urged its acceptance as the agreement was binding and the promoters would honour it in word and in spirit. Details of the "Pearce Agreement" were as follows.

The Cape Society, acting on behalf of the Four Societies would consider applications from two classes of accountants.

Class I:

Applicants who "by affidavit or otherwise" could show that they were

(a) "of good character";
(b) practicing as professional accountants at the date of application to the Cape Society;
(c) in such practice continuously in the 10 years immediately prior to their application; and
(d) people whose main business was that of professional public accountants who kept offices and placed their services at the disposal of the public in return for fees, "but not solely at the disposal of any one individual person, firm, corporation, government or public body" (USA, HA Debates, Vol. 8, 1/4/1927: 2146).

Class II:

These were applicants who could satisfy (a) and (b) above but whose period of practice within the meaning of (c) had been less than 10 but not less than five years. They would need to satisfy the Cape Society that they possessed an adequate practical knowledge of accountancy and auditing (USA, HA Debates, Vol. 8, 1/4/1927: 2146). A notable exclusion in both classes was prior success in accounting examinations.

Another important aspect of the Agreement was that those ineligible for membership of either the Natal or Transvaal Societies in terms of the legislation in force there, could apply to the Cape Society under either of the Classes

> "so long as they are able to show that they are, and have been doing as, independent principals in either the Transvaal or Natal provinces the work which the professional public accountant, as defined in condition (d) …, has been doing in either of the other two provinces" (USA, HA Debates, Vol. 8, 1/4/1927: 2147).

Given the tight control exercised over the profession in Natal and Transvaal, few applicants could be expected under this concession.

For both classes, a written application supported by a fee of 5 guineas was needed (USA, HA Debates, Vol. 8, 1/4/1927: 2146–7). An Appeal Board was established to consider the cases of any rejected applicants and comprised, finally, of a judge of the Supreme Court, a nominee of the University of Cape Town and a nominee of the promoting Provincial Societies, other than the Cape Society.

The admission period was to be six months from the date the Bill passed and all cases were to be decided within nine months of that date. The following is a summary of numbers involved.

TABLE 10.3

THE IMPACT OF PEARCE'S AGREEMENT

	Class I	**Class II**	**Total**	**%**
Accepted	42	24	66	26.9
Not accepted	127	52	179	73.1
Applicants (Total)	169	76	245	100
Allowed in on appeal	12	17	29	11.8

Source: Commission, 1934: 8.

In all, 95 (66 + 29) applicants – or 38.8% of the number who applied – were permitted registration via this route. While few individuals profited from the Agreement, the results of the process need to be considered in context. In 1924, the total number of practising accountants in the Union who were members of the Four Societies was approximately 554 (SC7, 1924: Q1430). As this number would not have changed

significantly in the period 1924–7, roughly 649 (554 + 95) individuals stood to benefit from the statutory award of the designation "chartered accountant" in 1927. Of these, 95 – or 14.6% – originated from a non-Provincial Society source. As a comparison, New Zealand approved 2 166 applicants in 1909 (Graham, 1960: 26) while in Australia, the membership in 1928 was 688 (Graham, 1978: 134).

Against this figure, *Union Statistics* for "Type of Ownership – Manufacturing" (1960: L2), in the period 1927–8, listed 1 412 registered companies in this sector alone. Clearly a shortage of auditors existed. In South Africa, in 1926, the White male population stood at 956 918 (*Union Statistics*, 1960: A3).

In exchange for this final result of the Agreement, the Four Societies had achieved two important objectives:

(i) the avoidance of a flood of potentially poorly qualified accountants and auditors from the public and private sectors into the kind of profession envisaged by the Societies, and, consequently

(ii) the retention in South Africa of the value inherent in the designation "chartered accountant".

In comparison, New Zealand accepted 2 327 applicants into their accounting society and admitted 2 116, a take up of 91% out of a population of just under one million in 1908 (Graham, 1960: 27). In South Africa, the equivalent White population was about 5.5 million (*Union Statistics*, 1960: A3). While absolute comparisons are difficult to sustain, the data above suggests exceptionally high South African admission criteria and unrealistically low standards in New Zealand. The solution was clearly in the middle and probably belongs to the Australian Royal Charter of 1928 and the process that achieved it.

RESPONSE IN THE HOUSE TO THE AGREEMENT

The response was mixed. Hay, the Labour member for Pretoria West, supported the Agreement as "a very fair compromise" (USA, HA Debates, Vol. 8, 1/4/1927: 2148). He pointed out that if the Bill did not go through, the chartered accountants from

overseas would be the winners "because we would be preserving to them almost a monopoly, not a legal monopoly, but still practically a monopoly" (USA, HA Debates, Vol. 8, 1/4/1927: 2148). The designation put a registered South African chartered accountant on an equality with others and he exhorted his colleagues "in the interests of South Africans, in the interests of the very men whose welfare they have at heart, to consent to this Bill and to accept the agreement which members of South African Societies of our own people are prepared to adopt" (USA, HA Debates, Vol. 8, 1/4/1927: 2148).

Alexander, the SAP member for Cape Town (Hanover Street), pointed out that the Bill was going to be passed on the basis of a letter to Pearce. The letter had no legal significance to the Bill as it could not bind Parliament. He suggested that the letter could also be repudiated by general meetings of the four Provincial Societies but this could not happen if the letter was included as part of the enacted legislation. He thought it a dangerous precedent, and, as the Agreement had only been made recently, it was unknown throughout South Africa. He continued that there had been "intense antagonism" between members and non-members of the Societies concerned and "this was an arrangement to admit such people" (USA, HA Debates, Vol. 9, 1/4/1927: 2151). In co-opting those most voluble, their opposition was neutralised. He concluded that the letter needed to be incorporated into the Bill, and that if it could not be done immediately, the Bill needed to be held over. Mr JP Mostert, National Party member for Namaqualand, stated that he could not accept the Agreement as it might be rejected by the members of the Societies involved. He also pointed out that local accountants doing the work of accountants in cooperative societies in the rural areas would need to be replaced by chartered accountants from the urban areas at great expense.

The debate was losing focus.

The Minister of Finance, Mr NC Havenga, entered it and firstly stated there was a general consensus of opinion over the Bill's main principle – the protection of highly qualified South Africans who needed to be accorded the same status as certain overseas societies. He also referred to the ongoing opposition of those who were excluded by legislation in Natal and the Transvaal from membership of these two provincial Societies and whose supporters in Parliament wanted "to open the door and allow them

to be admitted" (USA, HA Debates, Vol. 8, 1/4/1925: 2153) and were thus keen to kill the Bill in a show of solidarity. He reasoned that this was wrong as such individuals had "everything to gain and nothing to lose by accepting the Bill" (USA, HA Debates, Vol. 8, 1/4/1927: 2153). Killing it would benefit no one.

Secondly, with regard to the Agreement, Havenga pointed out that the House was dealing with honourable men who had given an undertaking. If that were not the case, the Government would "take action and deal with the matter by legislation afterwards" (USA, HA Debates, Vol. 8, 1/4/1927: 2153). As things stood, qualified men had no cause for concern as their interests were being protected. He also noted that he could understand the promoters' unwillingness to incorporate the agreement into the Bill as it would lower the Societies' status in the eyes of people overseas. He gave assurance that it was also reasonable for these Societies, in both their own and the country's interest, to admit only qualified men with experience, thereby ensuring a high standard, and to object to having the door opened to unqualified men. The Minister stated his support for the Bill and hoped the House would support it as well. This was a clear statement of the Government's interest in the Bill.

As the debate had ended, the Bill was read a second time. Thereafter, Swart attempted moving the House into Committee but when Alexander objected, the Committee stage was postponed to 8 April.

THE HOUSE-IN-COMMITTEE

The House-in-Committee only met on 3 May 1927 to debate Section 1 of the Bill which awarded the designation. Alexander repeated his objection to the fact that the Pearce Agreement had not been incorporated into the Bill and the fact that a "large number of men" (USA, HA Debates, Vol. 9, 3/5/1927: 3083), such as public servants and accountants practising for less than five years, would still be excluded. His objection was noted but not debated.

LANGUAGE ISSUES

In a response to growing Afrikaner nationalism that must have been obvious in the House, Mr Oost, National Party member for Pretoria (North), moved to change the word "*getjaarterder*" (chartered), an Anglicism "and not on the list of words of the

South African Academy", to the better Afrikaans word "*geoktrooieerde*". This move was clearly intended to enhance an Afrikaner culture in the House. He continued that the error arose as a probable result of bills written in English being translated into Afrikaans (USA, HA Debates, Vol. 9, 3/5/1927: 3084).

JSF Pretorius, National Party member for Fordsburg, supported Oost in the matter of the word. This was also at the time of the Flag Crisis (Davenport, 1987: 289) and emotions were running high.

The issue of the flag created an uproar in public opinion when, in 1925, a Bill was introduced into Parliament to establish the principle of a distinctly South African flag. Intense opposition resulted in consideration of the Bill being postponed until 1927. The main point of friction was whether the whole Union Jack should be kept or whether "a clean flag" without the Union Jack, or parts of it, should be adopted (Breitenbach *et al.*, 1974: 356). A committee was called and different designs were suggested, and a Government design was put to Parliament but failed to elicit support. In October 1927, it seemed the Government would force through its design at a special joint session of both Houses. The country was in near chaos with threats of secession in Natal. The Governor-General, the Earl of Athlone, called upon the leaders of the Government and opposition, Hertzog and Smuts, to compromise. They decided to have two flags, the Union Jack and a national flag of three horizontal bars of orange, white and blue with small copies, on the white bar, of the Union Jack placed horizontally on the left, the Transvaal Republic *vierkleur* set horizontally on the right with the Orange Free State flag positioned vertically in the centre. The Union Jack was to be flown only together with the national flag and only on Government buildings or other places as specified by the Government (Breitenbach *et al.*, 1974: 356–7).

The national flag was first flown in South Africa on 31 May 1928, the eighteenth anniversary of Union, and passions receded. But the matter indicated the strength of pro-British sentiment in the Union.

In one of those abrupt changes of direction that characterised debates in the House, DM Brown, SAP member for Three Rivers, pointed out that

> "the word 'chartered' applied to engineers and architects and when you get the word 'chartered' in front of a title it is a designation which means not that he is a better man, but that he has had training and carries the hallmark" (USA, HA Debates, Vol. 9, 3/5/1927: 3086).

Mr Rood, National Party member for Barberton, and a member of the Select Committee that had considered the Designation Bill, supported Oost's language change and said it was a small matter which should not be used to wreck the Bill. He then urged the House-in-Committee to think of young South Africans who, when qualified, could compete with the best from overseas. He pointed out that the promoting Societies had conceded as much as they could and given their word through an Agreement and no one had the right to doubt their word. In addition, a board of appeal could consider the cases of those who considered they had been wrongly excluded.

Heyns, National Party member for Middelburg, in another change of direction, asked why the Government had not introduced the Bill. Rood responded unsatisfactorily by stating that anything introduced as a private bill could be as much for the greater good of the country as public bills, pointing out that the Designation Bill had not been opposed by the Government (USA, HA Debates, Vol. 9, 3/5/1927: 3087). This is a key statement as it gives weight to the idea of the Act as a "quick fix" so the Companies Act would have a pool of capable auditors to implement its provisions.

Mr Jagger, South African Party member for Cape Town (Central), admitted to being astonished "that hon[ourable] members, who claim to be *plattelanders*, should oppose a Bill of this kind because the measure is entirely in favour of young South Africans" (USA, HA Debates, Vol. 9, 3/5/1927: 3088). Previously they had needed to go overseas to be trained as CAs. He reiterated that the Pearce Agreement opened an avenue for them (USA, HA Debates, Vol. 9, 3/5/1927: 3089).

LABOUR'S CONCERNS

Rayburn, Labour member for Durban (Umbilo), seized the opportunity and brought up the plight of public servants whose experience made them better accountants than some of those who would benefit under the proposed Bill with the designation "chartered accountant". In so doing, he ignited the last drive by Labour on the issue.

Stuttaford, South African Party member for Newlands, pointed out that, in terms of the Pearce Agreement, the "Societies [had] given the right to entry to practically every deserving case" (USA, HA Debates, Vol. 9, 3/5/1927: 3091). He continued that in the appeal board established by the Agreement, the Societies were in minority and nothing could be fairer. With regard to the case of public servants, they could still be members of other societies and use titles such as "incorporated accountant". Stuttaford pointed out that in the United Kingdom few – if any – civil and municipal officials were entitled to use the designation of "chartered accountant". In any case, the kind of accountancy practised by civil officials was of a "highly specialised kind" (USA, HA Debates, Vol. 9, 3/5/1927: 3092).

Mostert, National Party member for Namaqualand, still had reservations about the fact that the Agreement was outside of the Bill. Clearly, many members were concerned about the unusual nature of the Agreement, particularly because:

- it stood outside the Bill; and
- the Speaker had been neither approached for a ruling on the legal acceptability of the Agreement, nor (consequently) had any been given.

The Minister of Finance again stated the Bill did not deal with "the admission of certain classes in the country. All it does is to remove certain difficulties under which young South Africans suffer in comparison with people from overseas" (USA, HA Debates, Vol. 9, 3/5/1927: 3093). A member interjected, saying only the *uitlanders* (i.e. British immigrants) would benefit if the Bill was not passed, a potentially inciting remark but one which did not draw censure from the Speaker.

Ignoring the remark, Giovanetti, the SAP member for Pretoria (East), stated that the designation was the crux of the issue as it "put a ring fence round these people who are going to call themselves chartered accountants" (USA, HA Debates, Vol. 9, 3/5/1927: 3094) while public officials – like the chief accountant of the railway who dealt with £30 million a year – were excluded. He then moved that the Chairman report progress and ask leave to sit again – that is: end the current debate. This was defeated by 52 votes to 18 whereupon Oost's language amendment was put to the vote and carried by

50 votes to 19. Alexander then called for a vote upon Section 1. Close, SAP member for Rondebosch, on a point of order and with a touch of levity, queried whether Mr Alexander had, in terms of the rules, risen from his seat when calling for the latter vote. The Chairman said "the hon[ourable] member did rise, if only by a couple of inches" (USA, HA Debates, Vol. 9, 3/5/1927: 3091). The section was passed by 47 votes to 11 (USA, HA Debates, Vol. 9, 3/5/1927: 3097). The extent of support for the Bill is indicated by the overwhelming vote of 81% in favour of the amended section. What is also notable is the fact that the vote was not party driven, the Noes included party die-hards like Rayburn, JP Mostert and JSF Pretorius, the latter two being members of the National Party. Rayburn was, of course, a Labourite and was far from finished as an active supporter of the excluded.

The three votes are analysed as follows:

TABLE 10.4

MOTION TO REPORT PROGRESS AND SIT AGAIN

Ayes – 18			
NP	Boshoff, LJ	NP	Pretorius, JSF
LP	Brown, G	SAP	Pretorius, NJ
NP	De Villiers, AIE	NP	Raubenheimer, IVW
SAP	Giovanetti, CW	LP	Rayburn, G
SAP	Heatlie, CB	LP	Snow, WJ
NP	Heyns, JD	NP	Steytler, LJ
NP	Keyter, JG	NP	Van Heerden, IP
NP	Moll, HH	NP	Van Zyl, JJM
Tellers: Alexander, M (SAP), Mostert, JP (NP)			

Noes – 52			
LP	Allen, J	NP *	Malan, DF
SAP	Anderson, HEK	SAP	Marwick, JS
SAP	Ballantine, R	SAP	Miller, AM
NP	Basson, PN	SAP	Moffat, L

NP	Bergh, PA	LP	Mullineux, J
NP	Brink, GF	NP	Naudé, AS
NP	Brits, GP	NP	Naudé, JF
SAP	Brown, DM	SAP	Nel, OR
SAP	Buirski, E	SAP	Nieuwenhuize, J
NP	Cilliers, AA	SAP	O'Brien, WJ
SAP	Close, RW	NP	Oost, H
NP	Conradie, DG	SAP	Payn, AOB
NP	De Villiers, PC	LP	Pearce, C
NP	De Wet, SD	SAP	Richards, GR
NP	Du Toit, FJ	SAP	Rockey, W
SAP	Harris, D	NP	Rood, WH
NP *	Havenga, NC	SAP	Sephton, CAA
LP	Hay, GA	SAP	Smartt, TW
NP	Hugo, D	SAP	Struben, RH
SAP	Jagger, JW	SAP	Stuttaford, R
NP *	Kemp, JCG	NP	Swart, CR
SAP	Lennox, FJ	NP	Terreblanche, PJ
NP	Le Roux, SP	NP	Van Broekhuizen, HD
SAP	Louw, JP	SAP	Van Heerden, GC
SAP	Macintosh, W	NP	Wessels, JB
Tellers: Van Zyl, GB (SAP), Vermooten, OS (NP)			

* = Cabinet Minister

VOTE TALLIES:

	Ayes	**%**	**Noes**	**%**	**Total**	**%**
NP = National Party	11	61%	23	44%	34	49%
LP = Labour Party	3	17%	4	8%	7	10%
SAP = South African Party	4	22%	25	48%	29	41%
I = Independents						
	18	100%	52	100%	70	100%

Source: USA, HA Debates, Vol. 9, 3/5/1927: 3096.

TABLE 10.5

PEARCE MOVED THAT THE QUESTION BE PUT

Ayes – 50			
SAP	Anderson, HEK	SAP	Marwick, JS
SAP	Ballantine, R	SAP	Miller, AM
NP	Basson, PN	SAP	Moffat, L
NP	Brits, GP	NP	Moll, HH
SAP	Brown, DM	LP	Mullineux, J
SAP	Buirski, E	NP	Naudé, AS
NP	Cilliers, AA	SAP	Nel, OR
SAP	Close, RW	SAP	O'Brien, WJ
NP	Conradie, DG	NP	Oost, H
NP	Conradie, JH	SAP	Payn, AOB
NP	De Villiers, PC	LP	Pearce, C
NP	De Wet, SD	SAP	Richards, GR
NP	Du Toit, FJ	SAP	Rockey, W
SAP	Harris, D	NP	Rood, WH
NP *	Havenga, NC	SAP	Sephton, CAA
LP	Hay, GA	SAP	Smartt, TW
NP	Hugo, D	SAP	Struben, RH
SAP	Jagger, JW	SAP	Stuttaford, R
SAP	Krige, CJ	NP	Swart, CR
SAP	Lennox, FJ	NP	Terreblanche, PJ
NP	Le Roux, SP	NP	Van Broekhuizen, HD
SAP	Louw, JP	SAP	Van Heerden, GC
SAP	Macintosh, W	NP	Van Heerden, IP
NP *	Malan, DF	NP	Van Zyl, JJM
Tellers: Van Zyl, GB (SAP), Vermooten, OS (NP)			

Noes – 19			
LP	Allen, J	NP	Mostert, JP
LP	Barlow, AG	SAP	Nieuwenhuize, J
NP	Boshoff, LJ	NP	Pretorius, JSF
LP	Brown, G	SAP	Pretorius, NJ
NP	De Villiers, AIE	NP	Raubenheimer, IVW
SAP	Gilson, LD	LP	Rayburn, G
SAP	Giovanetti, CW	LP	Snow, WJ
SAP	Heatlie, CB	NP	Steytler, LJ
NP	Heyns, JD		
Tellers: Alexander, M (SAP), Naudé, JF (NP)			

* = Cabinet Minister

VOTE TALLIES:

	Ayes	**%**	**Noes**	**%**	**Total**	**%**
NP = National Party	22	44%	8	42%	30	43%
LP = Labour Party	3	6%	5	26%	8	12%
SAP = South African Party	25	50%	6	32%	31	45%
I = Independents						
	50	100%	19	100%	69	100%

Source: USA, HA Debates, Vol. 9, 3/5/1927: 3096.

TABLE 10.6

(See above paragraph headed "House-in-Committee")

MOTION AMENDED BY OOST'S LANGUAGE ISSUE:

CLAUSE SUBSEQUENTLY AMENDED:

ALEXANDER CALLS FOR A DIVISION ON SECTION 1 OF THE ACT

Ayes – 47			
LP	Allen, J	NP *	Malan, DF
SAP	Ballantine, R	SAP	Miller, AM
NP	Basson, PN	SAP	Moffat, L
NP	Boshoff, LJ	LP	Mullineux, J
NP	Brits, GP	NP	Naudé, AS
SAP	Brown, DM	SAP	Nel, OR
SAP	Buirski, E	SAP	Nieuwenhuize, J
NP	Cilliers, AA	SAP	O'Brien, WJ
SAP	Close, RW	NP	Oost, H
NP	Conradie, DG	LP	Pearce, C
NP	Conradie, JH	SAP	Richards, GR
NP	De Villiers, PC	SAP	Rockey, W
NP	De Wet, SD	NP	Rood, WH
NP	Du Toit, FJ	SAP	Smartt, TW
SAP	Harris, D	SAP	Struben, RH
NP *	Havenga, NC	SAP	Stuttaford, R
LP	Hay, GA	NP	Swart, CR
NP	Hugo, D	NP	Terreblanche, PJ
SAP	Jagger, JW	NP	Van Broekhuizen, HD
SAP	Krige, CJ	SAP	Van Heerden, GC
SAP	Lennox, FJ	NP	Van Heerden, IP
SAP	Louw, JP	NP	Van Zyl, JJM
SAP	Macintosh, W		
Tellers: Van Zyl, GB (SAP), Vermooten, OS (NP)			

Noes – 11			
SAP	Giovanetti, CW	SAP	Pretorius, NJ
SAP	Heatlie, CB	NP	Raubenheimer, IVW
NP	Heyns, JD	LP	Rayburn, G
NP	Mostert, JP	LP	Snow, WJ
NP	Pretorius, JSF		
Tellers: Alexander, M (SAP), De Villiers, AIE (NP)			

* = Cabinet Minister

VOTE TALLIES:

	Ayes	**%**	**Noes**	**%**	**Total**	**%**
NP = National Party	21	45%	5	46%	26	45%
LP = Labour Party	4	8%	2	18%	6	10%
SAP = South African Party	22	47%	4	36%	26	45%
I = Independents						
	47	100%	11	100%	58	100%

Source: USA, HA Debates, Vol. 9, 3/5/1927: 3097.

RAYBURN'S BOMBSHELL

The debate continued. Rayburn then dropped a bombshell and moved to have included in the Bill an amendment to allow competent officials employed by the Government, the railways and harbours, and provincial and local authorities to be admitted to one of the four Provincial Societies. He pointed out that "this amendment provides that the Bill shall not operate until the Minister is satisfied provision has been made by the Societies to admit these men" (USA, HA Debates, Vol. 9, 3/5/1927: 3097). The effect of this proposal would be to nullify the Pearce Agreement as well as all progress to date and would appeal to many who were concerned about the legitimacy of the Pearce agreement.

Swart queried whether the amendment was in order, seeing it had not been included in the Preamble. The Chairman ruled that, according to practice, the Preamble could be altered. Rayburn was supported by AIE de Villiers, National Party member for Witbank, who produced a letter from the Public Servants Association (SA) and the

South African Association of Municipal Employees which stated that the Bill, if adopted, would confer powers upon the Four Societies similar to those contained in the clauses of the Bills of 1913 and 1924, but cleverly concealed (USA, HA Debates, Vol. 9, 3/5/1927: 3098). In essence, the civil servants were correct and it was up to the Bill's proponents and supporters to put out the fire before it became a blaze of poor publicity.

The above two Associations further opposed the Bill on the grounds that it created a distinction "between those who are members of the Societies promoting the Bill and those who are not members, to the detriment of the latter" (USA, HA Debates, Vol. 9, 3/5/1927: 3099). This was particularly true of public servants who had no way of meeting the requirements, as to practical experience, without incurring great costs. The authors of the letter pointed out that the objects of the designation were not defined and, should the Bill pass, a consolidated constitution and rules would be needed to govern the designation. They stated,

> "the Transvaal Society of Accountants has in the main been responsible for the promotion of the private Bills submitted to Parliament; in 1913 and 1924 they refused to consider any compromise allowing an applicant to write the final examination without previously serving a period with a practising accountant, and it is logical to assume that the policy of the Transvaal Society is the more likely to be the policy of the consolidated body with the proposed designation of CA(SA)" (USA, HA Debates, Vol. 9, 3/5/1927: 3099).

Taking up the opportunity to air another longstanding issue, the letter stated that young men who had taken their Bachelor of Commerce degree and who, as a result, "would have had to pass a much higher test of efficiency in accountancy than [was] required for [early] members of the promoting societies" (USA, HA Debates, Vol. 9, 3/5/1927: 3101) were still denied entry to these Societies because they had not completed articles. They were thus unable to sit for the final examination. As a result, their chances of promotion were limited. These young men could be found in the large commercial houses, the banks, the Public Service and local government. The letter recommended that such people be allowed to sit for examination, ideally without serving articles. They nevertheless agreed that a period of service was necessary and that such period should be not less than five years. In essence, Rayburn had made a tactical blunder in

putting so many issues forward at once; the system was geared to making one decision at a time and in a specific order.

J Allen, Labour member for Springs, supported some of the points made in the letter and lamented the fact that the public servants had not been given the opportunity to give evidence to the Select Committee. But he stated that those who had adopted the Public Service as a career "have no right and they cannot expect that they should be able to come out on a pension and compete with those who have built up their own business" (USA, HA Debates, Vol. 9, 3/5/1927: 3102). He was, however, concerned with municipal servants whose security of tenure was not as certain as that of public servants due to the fact that they served at the pleasure of their councils. For the sake of these people, he supported Rayburn's amendment.

Alexander also expressed support for the amendment, pointing out that the Auditor-General was similarly excluded. He pointed out that, in South Africa, there was no single qualifying examination for a South African Chartered Accountant but that everyone who fell within the ambit of the Bill would be given the new designation of "Chartered Accountant". He did not object to the title being conferred upon those who had shown a high degree of competency but this should include the public servants.

Mostert stated that the amendment needed to be studied and moved that the Chair should report progress. This motion was defeated by 34 votes to 10. The House was then asked if it wished to consider Rayburn's amendment and this was agreed to by 36 votes to 10. Upon considering the amendment, on 4 May, the Chair ruled that as fewer than 10 members supported the vote on the amendment, it was negatived. The list of Noes for this final vote and their party affiliation is instructive:

Alexander, M – South African Party
Allen, J – Labour
De Villiers, AIE – National Party
Giovanetti CW– South African Party
Heyns, JD – National Party
Pretorius, JSF – National Party
Mostert, JP – National Party

Rayburn, G – Labour
Snow, WJ – Labour

The party break-down was as follows:

Labour	3
National Party	4
SAP	2
TOTAL:	9

NJ Pretorius did not vote at this last hurdle (USA, HA Debates, Vol. 9, 4/5/1927: 3105).

Out of a potential total of 135 (Davenport, 1987: 586) members in the House of Assembly, only nine supported Rayburn's amendment and seven of these belonged to the Labour-National Party Pact. As these members were voting their conscience, this supports a premise that the Government, if not actively supporting the Bill, at least was not opposed to it. A respected and stable accounting profession would do much to underpin a successful process of industrialisation.

The House resumed (i.e. came out of Committee) and the Bill with amendments was reported. Swart moved that the amendments be considered then but, as AIE De Villiers objected, consideration was adjourned until 6 May.

THE HOUSE RECONVENES: RAYBURN'S AMENDMENT AGAIN

The House reconvened on 6 May 1927 to consider the Chartered Accountants' Designation (Private) Bill, as amended by the Committee-of-the-Whole-House. Rayburn again moved the amendment which had been negatived in Committee on 3 May. His reason was that members had been tired and hungry when the amendment was proposed. Close responded with a witty "we were fed up" (USA, HA Debates, Vol. 9, 6/5/1927: 3255) to which Rayburn replied: "we are often fed up with the hon[ourable] member for Rondebosch [Mr Close] as are many members in the Public Service who are perfectly competent to be members of the Society of Accountants" (USA, HA Debates, Vol. 9, 6/5/1927: 3255).

On 6 May, Rayburn hit upon one of the less obvious motivating factors that lay behind the struggle of the civil and municipal officials to be included under the auspices of the Bill. He stated:

> "public servants feel that they have the right to be considered up with their own colleagues in their own field otherwise they will be regarded as belonging to a lower class. I have been in both public and municipal service and the men in these services resent anything which marks them off as being inferior to men doing similar work in private employment. Town councils are likely to be imbued with the idea the only men who can fit positions are men with the designation of Chartered Accountants" (USA, HA Debates, Vol. 9, 6/5/1927: 32 55).

Clearly, the idea of class was an element in the process, with those excluded from the ambit of the Bill believing their exclusion, in part, originated from a perception of their "place" in society. The taut, and sometimes acerbic, interplay in the House between Close and members of the Labour Party, particular Rayburn, has its possible origins in this sense of class.

WATERSTON'S SUMMATION OF THE ISSUES

The Labour member for Brakpan, Waterston, entered the debate and summarised it to date, noting the promoters had tried in 1924 to pass a Bill which had met stubborn opposition. To prevent this from happening again, an agreement had been reached which, while not included in the Designation Bill, had the force of an Act of Parliament. The agreement had been one of compromise. Previously the promoters had wanted initially to accept men who had been in practice for 10 years and were not older than 50 years. The period in practice was later reduced to five years and the age limit removed. With regard to municipal employees, Waterston pointed out that when he had met recently with civil and municipal representations, he had informed them he had been in favour originally of including town clerks in the process. But the municipal employees wanted every man in their accountancy departments to have the right to become a chartered accountant by completing 10 years' acceptable service and passing a final examination.

The counter argument was that civil and municipal employees had made their career decision and no injustice had been done to them. But if the door was to be opened to civil and municipal servants then it needed to be open to "every man engaged in a[n] [accounting] clerical capacity throughout the length and breadth of South Africa" (USA, HA Debates, Vol. 9, 6/5/1927: 3257). The best way to handle this situation would be to introduce a new Bill at a subsequent session of Parliament. Waterston believed that the House was at the parting of the ways. If the Bill passed, young South Africans could qualify in their homeland. But if the designation was "too cheap, then it will not be worth the paper it is written on" (USA, HA Debates, Vol. 9, 6/5/1927: 3258) as the community would rate it low in comparison with the English and Scottish qualifications. In this case, it would be better to scrap the Designation Bill. In making these comments, Waterston showed a level of understanding far from that evidenced by his party colleague, Rayburn. Again, his careful analysis supports the premise that the Bill was debated on lines of conscience and not party.

ALEXANDER'S ISSUES

Alexander picked up the debate and moved, as a further amendment, to include all "competent accountants in actual *bona fide* practice at the date of commencement of this Act" (USA, HA Debates, Vol. 9, 6/5/1927: 3258). He stated that he supported Rayburn's amendment, but wanted to add "a further class of person". He was still concerned about the Pearce Agreement not being part of the Bill as well as those whom it excluded, these being accountants with less than five years of practice. In response to a query from the floor as to where the line was to be drawn, Alexander declared "at competency" (USA, HA Debates, Vol. 9, 6/5/1927: 3259). He also objected to the fact that other accounting societies had no representation on the Appeal Board and queried whether a period of articles and an examination would similarly apply to "overseas men" who made application for membership of one of the promoting Societies. He believed if the above did not apply, then the argument of protecting South Africans from "overseas men" made no sense. He also believed that a grading scheme could meet many of the objections, the grades being: five years' experience for an associate, 10 years for a fellow, and a fellowship for the award of the designation chartered accountant. Anyone *bona fide* in practice at the commencement of the Act would be entitled to register, but would not have the title until they had the necessary experience (USA, HA Debates, Vol. 9, 6/5/1927: 3260). Alexander concluded that in the past with

similar, new legislation, the principle in the House had been to protect the men practising at the time.

Alexander's stance was supported by JSF Pretorius who believed that while certain people were protected, others were sacrificed. He pointed out that commercial entities like banks might in future require a chartered accountant to sign off on municipal accounts presented to the bank. This could mean possible dismissal for unqualified municipal officials. For example, he queried the fate of unqualified accountants in small towns who presently audited the books for rural businesses. The businesses would also incur extra expense in obtaining the services of urban based, qualified accountants (USA, HA Debates, Vol. 9, 6/5/1927: 3261).

The debate was again losing focus.

The Minister of Finance intervened at this point and stated that while the House had already accepted the principles of a designation bill, members were proposing amendments which would allow other classes of people to be admitted. While this was laudable, the House needed to make provision in another way as the Pearce Agreement established a finite method of operation.

WJ Snow, Labour member for Salt River, declared his support for the amendment and pointed out that public accountants would, by accident almost, acquire through the Bill something their equals and betters in municipal and Civil Service were denied. Should municipal accountants then advertise for posts to be filled by chartered accountants, those in service already would be passed over. This would make for "a close preserve and exclude a man who has the same merits, but who, by accident, has not worked for outside firms" (USA, HA Debates, Vol. 9, 6/5/1927: 3263). He also pointed out that English Chartered Accountants were admitted as full members in the South African Societies without having qualified in the Union as was required of young South Africans.

VOTING RAYBURN'S AMENDMENT

While Alexander's amendment was agreed to, Rayburn's was defeated by a vote of 57 to 24. The nine members who had previously supported the amendment defeated on 4

May did so again. A number of prominent figures appeared in the final debates over the Designation Bill of 1927. They were:

Kentridge, M – Labour
Madeley, W – Labour and also Minister of Posts and Public Works
Sephton, CAA – South African Party
Strachan, TG – Labour

Amongst those opposing the amendment were five cabinet ministers – Havenga (Finance), Kemp (Agriculture), CW Malan (Railways and Harbours), DF Malan (Interior Education and Public Health) and Roos (Justice). Other notables in opposition included Close, Barlow (the Labour member for Bloemfontein North), Pearce, Deneys Reitz (SAP Member for Bloemfontein South), Dr Hjalmar Reitz (National Party member for the North East Rand) and Waterston.

Thereafter, Oost's "*geoktrooieerde*" was approved as was a consequent change to the Preamble. When Swart moved for the Bill to be read a third time, De Villiers' objection deferred it to 13 May (USA, HA Debates, Vol. 9, 6/5/1927: 3265).

THE THIRD READING – AND A PERSONAL ATTACK

On that Friday, the House did indeed meet and Swart, National Party member for Ladybrand, moved for the Bill to be read a third time. JSF Pretorius, National Party member for Fordsburg, moved a minor amendment to replace "now" with the phrase "this day six months" in the Bill's Preamble, possibly to delay its effective implementation, and again stated that in his opinion, the Bill was unfair. With unconscious irony, he said similar Bills had been put by Close to Parliament when the South African Party was in office without success but it was apparent the Nationalist Party would now allow this Bill to be passed (USA, HA Debates, Vol. 9, 13/5/1927: 3571). What Pretorius failed to understand was the link between the successful industrialisation being pursued by Hertzog, a competent accounting profession, and the new Companies Act. Mostert, National Party member for Namaqualand, seconded the amendment but again opposed the idea of an agreement outside of the Bill. In a thinly veiled reference to Swart, he then stated:

> "one can expect nothing else from the hon[ourable] member who introduced the Bill. He is a townsman and a lawyer and not in sympathy with the countryside and his constituents who sent him here. He may be in touch with a few accountants, but not with his constituents. He does not go on the principle that he must serve his constituents because he does as he pleases when once they have sent him here" (USA, HA Debates, Vol. 9, 13/5/1927: 3571).

The Speaker rebuked him for his personal attacks, for which Mostert duly apologised but again stated the Pearce Agreement needed to be incorporated in the Bill.

DM Brown, South African Party member for Three Rivers, took umbrage at Mostert's attack upon the Bill's introducer – CR Swart, National Party member for Ladybrand, stating,

> "this system of attacking a man personally because you disagree with him is one Parliament wants to be above. The hon[ourable] member has mistaken his place and should be in the village pub to make such an attack. No doubt the hon[ourable] member thinks he is honest, but there are different standards of honesty. There is such a thing as honesty even in politicians and the hon[ourable] member who introduced the Bill belongs to that group. The hon[ourable] member who attacked him belongs to the other group" (USA, HA Debates, Vol. 9, 13/5/1927: 3572).

CONCLUSION

AIE de Villiers, National Party member for Witbank, raised a hoary chestnut again and reiterated his opposition to an agreement outside of the Bill. He got no further as Swart then indicated the conclusion of the session by thanking the Bill's supporters in the House as well as the Minister of Finance and summarised the key points of the debate. He regretted that time had prevented him from "a chance of removing many of the misrepresentations in connection with this matter" (USA, HA Debates, Vol. 9, 13/5/1927: 3573) and while he noted Mostert's comments, he considered it beneath him to answer. With regard to the Pearce Agreement, he stated that it was too late to include it into the Bill, but that this was undesirable "because it would lower the status of our Chartered Accountants as against those of other countries and would create the

impression that we had not yet advanced so far as they thought" (USA, Debates, Vol. 9, 13/5/1927: 3574). As to the Agreement itself, the Minister of Finance had assured the House that the Government would ensure it was met, but noted that the promoters were "men of honour". With regard to including public and municipal employees, he pointed out that the Agreement only made "provision for persons who make accountants' work their life's work and whose profession it is today". He asked why special provision was needed for public servants, pointing out that to do so would mean ultimate entry of others from insurance and large business houses. These kinds of accountants and retired public servants could continue in their jobs under any title except the one protected by the Bill.

As to criticism that the Bill created barriers, Swart believed this was not so as it provided for qualified men to assume a designation just as a Bachelor of Arts graduate was entitled to the designation BA. The passage of the Bill would give young South Africans the chance to obtain the highest accounting qualification in the country without the need and expense of acquiring it overseas. Such people would "fully appreciate that they had been given the right over against [*sic*] foreigners which they did not have before" (USA, HA Debates, Vol. 9, 13/5/1927: 3575).

In a display of using the rules to sidestep an inconveniently proposed amendment, the question was then put that the word "now" proposed to be omitted by Pretorius at the beginning of the session stand part of the motion to read the Bill a third time. As there were less than 10 votes against this motion, the Speaker declared the question affirmed and JSF Pretorius' amendment was dropped. The members who opposed the motion were the "usual suspects" of AIE de Villiers, Giovanetti, Heyns, Mostert and JSF Pretorius. The motion to read the Bill a third time was put and agreed to, and the Bill was subsequently read.

Thereafter it was referred to the Senate for consideration where the major change was to strengthen the wording around the illegality of the unauthorised use of the designation (SSA Debates, 4/1927: 27/5/1927: 374–5).

The speed with which the Bill was finalised is noteworthy. The House concluded the third reading on 13 May 1927, the Senate its deliberations on 20 May. The House

considered and agreed to the Senate's amendment on 31 May. The Governor-General, on behalf of the King, assented to the Bill on 8 June 1927. As the Bill had first been presented to the House on 1 February, the whole process had taken just over four months. This is in strong contrast to the prolonged and ultimately unsuccessful consideration of the 1924 Accountants Bill.

It is also an indication of how important the Bill was and how quickly it needed to be put into effect. Admittedly, it was a short Act – less than three pages long – but it encompassed issues of commercial power, professionalism, fairness and determination. All these issues – to some degree – were inherited by the Four Societies, together with the power to award of the designation "CA(SA)".

The following observation hits the bull's-eye:

> "Once our Bill bears the signature of His Majesty the King (through the medium of His Excellency the Governor General) our title to the designation 'Chartered' is inferior to none" (SAAHC, TSA, Minutes of Special General Meeting, 16 June 1926: 334–7, Minute Numbers 4–8).

In terms of North's theory of institutional economics, Parliament had granted an enforceable property right which could be "self-enforcing when it pays parties [to it] to live up to them – that is: in terms of the costliness of measuring and enforcing agreements, the benefits of living up to contracts will exceed the cost [of not doing so]" (North, 1990: 54–5).

CHAPTER 11: BECALMED: THE ACCOUNTANCY COMMISSION OF 1934

- South Africa: 1929–34
    - Table 11.1: Registration of Companies and Their Capital, 1927–34
- 1929
    - Table 11.2: Comparison of Employment Figures, 1929–33
    - Table 11.3: SA Railways and Harbours: 1924–34: Employment Figures
- Recovery
    - Table 11.4: Comparison of Employment Figures, 1932–9
- The Political Situation
- The General Election of 1933 and the Emergence of the United Party
- Formation of the Accounting Commission
- The Functions and Functioning of the Commission
- The Commission's Report
- The Issue of Compulsory Registration
- Registered Auditors Only?
- The Register
- Feelings Running High
    - Special Claims
    - Concessions
    - Public Servants
    - Annual Fees and the Employment of Articled Clerks
- The Societies and the Universities
- The Commission's Draft Act
- The Accountancy Board
- By-Laws
- Articles of Clerkship
- Examinations
- Admission: A Concession
- Discipline and Professional Behaviour
- Conclusion

CHAPTER 11: BECALMED: THE ACCOUNTANCY COMMISSION OF 1934

SOUTH AFRICA: 1929–34

After the successful passage of the Designation Act in 1927, the stir created by the South African accountancy profession abated as the world slipped into the Depression of 1929–34.

In South Africa as elsewhere, people sought to survive as best they could. For the Four Societies, who had scored a significant commercial coup with the Designation Bill, the setback was significant. While it is impossible to quantify their loss of business, the data per the new company graph prepared by the Registrar of Companies in 1948 for the Millin Commission on Company Law Amendment (UG69, 1948) gives some idea, given that all companies needed to be audited and the fewer the companies, the fewer the audits.

TABLE 11.1
REGISTRATION OF COMPANIES AND THEIR CAPITAL, 1927–34

Year	Approximate number of companies registered per year	Approximate capital registered per company Rands (in millions)
1927	500	13
1928	700	17
1929	900	17
1930	600	14
1931	700	15
1932	450	9
1933	700	12
1934	1 000	29

Source: Millin Commission, 1947–8.

The Commission's Report neglected to provide critical information of the number of companies deregistered or abandoned in the period 1927–34. Had this information been available, it would have been possible to calculate the net number of companies on the companies' register. The nadir was reached in 1932, with 1934 signalling a strong recovery and, with it, the advent of an Accountancy Commission and a new political dispensation.

1929

The 1929 election saw the National Party win 78 out of the available 148 seats, 15 more than previously, thus securing an outright majority. The SAP gained an increase of eight seats to give a total of 61 in Parliament. The Labour Party's results reflected its divided nature. The Creswellite faction won five seats compared to its National Council rival's total of three. The Independents acquired their now almost customary one seat (Davenport and Saunders, 2000: 312, 710).

While the Nationalists had a majority in the House of Assembly, Hertzog nevertheless appointed two Creswell-Labourites to his new cabinet – Creswell to the Defence and Labour portfolios, and HW Sampson to Posts and Telegraphs, thereby securing their support. Hayes, Waterston and Rayburn were not returned. The year 1929 was also the first since the enactment of the Senate Act in 1926 in which Hertzog could rely on the support of the Senate (Breitenbach *et al.*, 1974: 363).

The collapse of Wall Street in New York, one of the most important financial markets in the world, saw the start of the global Great Depression of 1929–34 and hard times for millions throughout the world. The value of diamond exports from South Africa fell from £16.5 million in 1928 to £1.4 million in 1934 and while wool exports remained consistent in terms of weight, its price fell from 17 pence per unit of weight in 1927–8 to 4 pence in 1931–2. The devaluation of their currencies by Britain and Australia meant the unadjusted South African currency was nearly double its Australian equivalent. This situation made it impossible for South African wool growers to compete internationally (Davenport and Saunders, 2000: 317) and companies went bankrupt. The unemployment rate increased quickly and, in addition, drought ravaged the rural areas of South Africa. Supported by many economists, the Minister of Finance, NC Havenga, refused to follow the British lead in September 1931 to leave the

gold standard but 25 other nations did. As AB Lumby (1983: 209) points out, South Africa was the world's greatest gold producer. It was natural for the Government "to resist [a] depreciation in terms of gold".

Hobart Houghton argued that gold and diamonds together "brought about an economic revolution in the sub continent" (1976: 11) which was ongoing. Certainly, an analysis of the working profit per pound sterling (£) per ton of ore milled shows a figure of 0.89 per cent in the period of 1933–4 – the darkest days of the Depression compared to 0.71 per cent in the period 1935–9 (Feinstein, 2007: 106). Working costs changed as a result of mine management's attempts to reduce costs, especially wages, while revenue shifted in response to international demand. As Feinstein concluded (2005: 106), the market for gold was unlimited. Despite plunging gold prices, South Africa had a hedge. Everything mined could be sold, providing the mines operated efficiently and hence profitably. This meant costs had to be rigorously contained and in the process the industry became increasingly skilled and expensive in mining gold from great depths and extracting it from low grade ore.

In internal politics, two points are important. The first is that in 1930 all White women, who were South African citizens over the age of 21, were given the vote, while White men in the Cape and Natal, who previously did not have the vote due to poor financial and educational standards, were enfranchised in 1931. This increased the number of White voters (Breitenbach *et al.*, 1974: 363) while reducing the value of the Black vote in the Cape (Davenport and Saunders, 2000: 319). Whether the new voters would support the SAP or the Nationalists was a moot point.

The second point is that while it was Government policy to improve the circumstances of Poor Whites, it took little notice of the impact of the Great Depression upon other races. There was little understanding of the extent to which Blacks had become integrated into South Africa's rapidly industrialised economy (as previously discussed in Chapter 10). The prevailing wisdom of the day was that if they lost their urban employment, Blacks could return to their rural homes and a subsistence economy (Wilson, Thompson *et al.*, 1971: 32).

The effect of the Depression upon employment in South Africa is illustrated by the comparatives in the following table. All line items are negative except for establishments and White workers, both of which show an increase.

TABLE 11.2
COMPARISON OF EMPLOYMENT FIGURES, 1929–33

	1929–30	**1932–3**	**Change: 1930–3**
Number of establishments	6 472	6 543	+1%
Number of workers:			
All races (thousands)	142	133	−6%
Whites only (thousands)	55	57	+4%
Others (thousands)	87	76	−12%
Value of gross output (R millions)	157	135	−14%
Value of net output (R millions)	68	61	−10%

Source: Hobart Houghton, 1976: 125.

The increase in White employment during this period was the result of the Government's policy of replacing Black with White labour and thereafter keeping the manufacturing sector as a White monopoly. This is illustrated in the following table:

TABLE 11.3
SA RAILWAYS AND HARBOURS: 1924–34: EMPLOYMENT FIGURES

Year	White	Non-White [*sic*]
1924	**39 024**	**47 157**
1925	47 224	45 148
1926	52 249	44 965
1927	54 579	40 177
1928	56 833	37 939
1929	**58 562**	**41 533**
1930	58 306	42 245
1931	55 164	39 635
1932	52 930	33 357
1933	49 665	27 988
1934	**50 775**	**30 399**

Source: *Union Statistics*, 1960: G15.

The above table shows the effect of Pact's Labour policy until 1929; thereafter the Depression takes its toll.

In the period 1924–9, White jobs with SA Railways and Harbours increased by 49.9%,[1] in the same period non-Whites' jobs decreased by 11.9%,[2] suggesting that non-Whites not only lost jobs but additional jobs were also created for whites. This conclusion should be tempered by an investigation of the non-White employment figures for 1929 and 1930 which show a temporary increase rather than a decrease. An analysis of 1929–34 shows a slowdown to 86% of filled posts for Whites (100% = 1929) and 73% for non-Whites (100% = 1929). This suggests that non-Whites bore the brunt of South Africa's joblessness.

RECOVERY

The South African Government was unable to solve the country's economic problems as long as it remained linked to the gold standard and others did not. A number of initiatives to solve these problems – such as currency exchange controls, increased taxation, retrenchment in the Public Service and concessions won by Havenga for South African goods in Commonwealth markets at an Imperial Economic Conference in 1932 – were unsuccessful. Then two things happened: Strauss of the SAP won a by-election in a safe Government seat in Germiston; and Hertzog's former Justice Minister, Tielman Roos, publically called for the abandonment of the gold standard and a new Government. Early 1932 saw the nadir with Union revenue collections bottoming out at R55.5 million against a 1929 high of R61 million (Coleman *et al.*, 1983: 211). The timing of these events was bad for the Nationalists. Hertzog had finally to accept the removal of South Africa from the gold standard in December 1932. In so doing, he lost a large part of the National Party's conservative rural support (Davenport and

[1] $\frac{58\,512 - 39\,024}{39\,024} = 49.9\%$

[2] $\frac{41\,533 - 47\,157}{47\,157} = -11.9\%$

Saunders, 2000: 318–9) but the Union experienced noticeable improvement in its economic situation.

The devaluation of the South African currency led to a boom period for the gold mines. The recovery of the gold mining industry had a knock-on effect in the manufacturing industry. As Hobart Houghton has pointed out (1976: 125), between 1932 and 1939 gross and net economic outputs more than doubled and employment increased by 77% as indicated by the following table:

TABLE 11.4

COMPARISON OF EMPLOYMENT FIGURES, 1932–9

	1932–3	**1938–9**	**Change**
Number of establishments	6 453	8 614	+32%
Number of workers:			
All races (thousands)	133	236	+77%
Whites only (thousands)	57	93	+63%
Others (thousands)	76	143	+88%
Value of gross output (R millions)	135	281	+108%
Value of net output (R millions)	61	128	+110%

Source: Hobart Houghton, 1976: 125.

However, AB Lumby (1983: 219) points out that industrial development was dependent on gold mining and that in the 1930s, South Africa remained reliant on "a narrowly based economy".

O'Meara (1983: 40–8) has detailed Roos' significant impact on breaking the economic logjam and Hertzog's independent power, ultimately transforming Afrikaner Nationalism to one based on capital, ideology and legalised exploitation – that is: *volkskapitalisme*.

Frankel's 1944 analysis of the growth in income in the Union in the period 1932–9 led to much the same conclusion, except he concentrated on the "operation of international trade" and its stimulus to capital investment in the mines financed by both domestic savings, created by the recovery, and foreign capital. This situation was clearly sensitive to fluctuation of the price of gold (Quoted in Horwitz, 1967: 238–40).

THE POLITICAL SITUATION

In the political arena, Roos and Smuts as "outs" tried to find a mutual political understanding but failed to do so. Hertzog knew an election was due by 1934, and realised the Depression had reduced his support internally, but externally was another matter. The enactment of the Statute of Westminster in the British Parliament, formalising the Balfour Declaration was a success for Hertzog and emphasised the idea that Britain was not the Afrikaner enemy as in the past (Davenport and Saunders, 2000: 319–20).

The idea of a political unification or "*hereniging*" of the Afrikaner, apart since 1912 when Hertzog broke away from Botha and Smuts' South African Party (SAP) to form his National Party (NP), became popular at this time. Where Roos failed, Hertzog succeeded. The coalition between Hertzog's NP and Smuts' SAP contributed towards a resolution of the Great Depression crisis in South Africa. Coalition was endorsed in the election of 1933 by a huge majority (Breitenbach *et al*., 1974: 367). Coalition thereafter led to the Fusion of the NP and the SAP to form the "United South African National Party", commonly called the "United Party", with Hertzog as Prime Minister and Smuts as his Deputy. In this way, political unification of moderate Afrikaners had been achieved by the end of 1934. The extreme Afrikaner nationalists supported Malan's breakaway earlier that year to form the *Gesuiwerde Nasionale Party* or Purified National Party (Breitenbach *et al.*, 1974: 368).

As the British Parliament could repeal any of its acts, Hertzog guided the Status Act and the Royal Executive Functions and Seals Act through the South African Parliament in 1934. The former acknowledged the legality of the Statute of Westminster in South Africa but recognised the Union Parliament as the only sovereign legislative authority in and over South Africa – British legislation would only be valid in South Africa if passed by the Union Parliament. The latter Act vested executive power in South Africa

in the King, acting on the advice of his South African Ministers, or in his representative, the Governor-General (Breitenbach *et al.*, 1974: 354; and Davenport, 1987: 289).

The growth of South Africa's autonomous position had been acknowledged informally before 1934 by events such as the establishment of a branch of the Royal Mint in Pretoria in 1923 while, in 1929, the Union appointed its first ambassadors: to Rome, Washington and The Hague (Breitenbach *et al.*, 1974: 355).

As a result of the growth of the opposition, in February 1933 Hertzog announced a coalition between the SAP and the Hertzog Nationalists. In essence, Smuts would serve under Hertzog, the cabinet would comprise six members of each party and their cooperation would be directed by a "plan" dealing with key issues, such as the unitary nature of the constitution, bilingualism, a White labour policy, the "native problem" and a sound economic policy (Davenport and Saunders, 2000: 320).

THE GENERAL ELECTION OF 1933 AND THE EMERGENCE OF THE UNITED PARTY

In May 1933, the coalition was tested in an early General Election and was returned with 136 seats (61 SAP and 75 National Party) out of a total of 150. There were an uncharacteristic 10 Independent seats – indicating a degree of uncertainty in the electorate – as well as four Labour-National Council members (Davenport and Saunders, 2000: 710). Smuts became the Minister of Justice and Deputy Prime Minister. Hertzog resumed the post of Prime Minister and took the foreign affairs portfolio while NC Havenga returned to Finance and was instrumental in the appointment of the Accountancy Commission of 1934. There was an increase in the popularity of the two parties and in June 1934 several local branches of two parties in the Transvaal merged of their own accord (Breitenbach *et al.*, 1974: 368). But when the National Party's federal council approved Fusion with the SAPS in October of that year, the influential DF Malan indicated his mistrust of Smuts.

Malan was a former minister of religion and former member of the Pact Cabinet of 1924 where he was Minister of the Interior. He was also the Cape leader of the National Party. As a result many Cape Nationalists, with others from the Transvaal and Orange

Free State, split from Hertzog's Nationalists – 19 MPs, in all – to establish the Gesuiwerde Nasionale Party (Purified National Party).

As with the Nationalists, so too with some English speakers in the SAP. They rejected the Fusion of the two parties as they did not trust Hertzog and left to join a group of Natal separatists to form the British Dominion Party. But neither split could prevent the inevitable and in December 1934 the National and South African Parties fused to become the United Party (as mentioned above) (Breitenbach *et al.*, 1974: 368).

It was in this climate of growing political maturity and economic recovery that the four South African Societies met with delegates of the South African branches of the Incorporated Society in Cape Town in 1932. In a step which represented another along the path of unification of the profession in South Africa, the Incorporated Society – the persistent opponents of the Four Societies – agreed that it would no longer set separate examinations for its members but would accept, as appropriate, examinations set by the Societies' General Examining Board. In addition, the Incorporated Society agreed not to register articled clerks independently of the four South African Societies (Lockley, 2001: 5–6).

FORMATION OF THE ACCOUNTING COMMISSION

With the economy on the road to recovery and political stability assured by the move to fuse the two strongest parties in Parliament, Havenga, the Minister of Finance, put in motion the formation of a Commission to determine the advisability of unifying the accountancy profession under a single representative body which would control the profession and maintain a register of its members. The Commission was constituted by the Governor-General on 23 October 1934, formally commissioned on 2 November 1934 and commenced its investigations on 5 November 1934. The formal, final Fusion of the South African and National Parties occurred on 5 December 1934 (Breitenbach *et al.*, 1974: 368). The Commission comprised four Commissioners in addition to the chairman:

Advocate Roberts, Chairman;
Messrs Anderson and Du Toit;
Professor Harold Galbraith; and
PV Pocock, a United Party member of Parliament for Pretoria (Central).

Pocock would later attempt to introduce an Accountancy Bill into Parliament in 1938 after the Commission's recommendations came to naught. Not much information is available about Pocock. The *South African Who's Who* for 1936 merely described him as the [SAP] "MP representing Pretoria Central". The *Who's Who* of 1951 gives a fuller sketch of Professor HG Galbraith. A Scottish CA and a CA(SA) as a result of his membership in, and presidency (1931–7) of, the Cape Society of Accountants and Auditors, Galbraith had been a Professor of Accounting at the University of Cape Town (1921–36) and a partner in the firm of Douglas, MacKelvic, Galbraith and Co. He was thus influential in the profession, with links to academe.

The creation of the Commission in late 1934 was the second time in that year that the issue of the accountancy profession had been considered by Parliament. At the beginning of 1934, Dr Hjalmar Reitz had introduced an inconsequential Private Member's Bill into the 1934 Parliamentary Session but it failed at its first reading. The origins of this Bill are vague but it is interesting in that it anticipated the appointment of the Commission and what it meant. (UG49, 1935: 8). The Designation Act of 1927 had been a "quick fix" by the Nationalist Government in anticipation of the industrial expansion it planned. The 1934 idea of registering the members of the accounting profession in terms of an Act of Parliament – as with the doctors, architects and pharmacists – had been shelved, not abandoned. With the return to prosperity and a new United Party Government in 1934, the accountants came under the spotlight. The timing of the Commission is interesting: political Fusion occurred in December 1934 and the Commission was constituted a month earlier in November. Having probably anticipated a political Fusion, Havenga wanted the Commission up and functioning before it could become an inevitable focus of renewed controversy.

THE FUNCTIONS AND FUNCTIONING OF THE COMMISSION

The Commission functioned in much the same way as a select committee. Its terms of reference were, however, wider and not constrained to a particular Bill or its contents. Its purpose was to deal with general principles underpinning some public activity, which, if shown to be advisable and necessary to the public good, would then lead to a consideration as how the principles should be implemented in practical terms. As its terms of reference were broad, "the profession of accountancy" (UG49, 1935) being interpreted in the widest sense, representations were made to it from a wide range of

sources. To achieve this coverage, the Commission placed advertisements in newspapers throughout the Union, informing the public of its terms of reference and calling for written evidence which individuals wished to place before the Commission and which they could support verbally at the Commission's public hearings. It also advertised the dates and times of its public hearings – 17 of them held between 6 November 1934 and 25 January 1935 over five venues: Pretoria, Johannesburg, Durban, Bloemfontein and Cape Town.

The Commission was painstaking and thorough in its procedures, taking evidence from individuals representing 16 organised bodies and various Government posts represented by 51 individuals. The 16 organised bodies included the four South African Societies, two branches of the Society of Incorporated Accountants and Auditors in South Africa, the Chartered (SA) and Incorporated Accountants Students Society, the University of the Witwatersrand, the Public Servants' Association, the Institute of Municipal Treasurers and Accountants (UG49, 1935: 5) and the London Association whose President, Maddox, had taken a strong stand against the Four Societies' exclusionism, in 1924. Many of these entities no longer exist or have metamorphosed into others with the passage of time. Amongst the Government representatives were the Registrar of Companies, the Commissioner for Inland Revenue, the Controller and Auditor-General and the Masters of the Supreme Courts of the Transvaal, Natal and Orange Free State Provincial Divisions. A scrutiny of the names of the 51 individuals interviewed by the Commission reveals an interesting fact – few if any of them had been involved in the Private Bill of 1924 and fewer still had been concerned with the Private Bill of 1913. One explanation is obvious – the previous participants in the process had retired or died as the process of unification had already extended over 21 years, their positions being filled by younger men. While the *dramatis personae* had changed with the passing years, the issues remained the same – qualified vs non-qualified, compulsory membership, articles, past "wrongs" and future "rights", by-laws, a provisional Board etc.

THE COMMISSION'S REPORT

At the end of January 1935, the Commission produced its Report. The Report comprised four chapters, respectively dealing with the Historical Background, General Conclusions on Registration, Method of Control and Consideration of Special Claims and Machinery required to implement the Commission's recommendations. The Report noted that there were three possible avenues of approach to the situation.

The first was to accept the "diversity of practice" (UG49, 1935: 9) as it existed in the four provinces. This diversity arose as a result of the principle of registration being firmly entrenched in the Transvaal and Natal but not in the Cape nor the Orange Free State. The Designation Act of 1927 had not changed this particular state of affairs.

The second was to repeal the registration laws in the Transvaal and Natal and open the profession there to anyone claiming to be a public accountant, whether qualified or not,

And, finally, the creation of a unified system throughout the Union by introducing compulsory registration of accountants in the Cape and the Orange Free State.

The Commission believed, as did all its witnesses, that the first option could not be supported and that the public interest in the Union could best be served by "a strong disciplined profession of accountancy, with a standard of integrity and reliability equal to that of the other learned professions" (UG49, 1935: 9). The Transvaal and Natal Societies stated that, despite some claims to the contrary, their registration processes in the early 20th Century had been successful and that they would resist any repeal of their respective founding legislation (UG49, 1935: 15). With regard to the third option, the Commission did not support a system of complete centralisation, preferring to allow each provincial society a degree of independence in matters such as routine administration. The Commission believed that this approach was in line "with the constitutional framework of the Union" (UG49, 1935: 9) and pointed out that the majority of organisations and individuals interviewed supported some form of registration.

Significant amongst the minority opposition was the position taken by the Cape Society of Accountants and Auditors, a member of the group of four Provincial Societies

instrumental in bringing forward the Bills of 1913 and 1924 as well as the Designation Act of 1927. The Commission referred to them jointly as the South African Chartered Societies. The Cape Society feared universal registration would lead to a lowering of the status of the South African chartered accountant designation as a result of an initial minimal entry level to facilitate a generous registration process. The Society believed this was an important consideration given "the volume of money controlled from abroad which [was] invested in commercial and industrial enterprises in South Africa" (UG49, 1935: 10).

The impression is that the Cape Society, having won the coveted designation "CA(SA)" and weathered a period of difficulty during the Depression, wished to be left to profit from its success. Clearly its partner Societies exerted influence, however, as the Commissioners noted that, despite its official stance, the Cape Society understood the "desirability of uniformity and the need of limitation of all audits required by statute to properly qualified accountants" (UG49, 1935: 11) – a reference to the requirements of the new Companies Act. Consequently, the Society supported the scheme outlined by the other three Provincial Societies. This scheme envisaged a central controlling body, similar to that in the Medical, Dental and Pharmacy Act, with significant concessions to non-chartered accountants, such as representation upon a central board which would be able to judge claims for registration.

The two South African branches of the Society of Incorporated Accountants and Auditors had different points of view. The North Branch believed in an "open door" approach coupled with the preservation of the status of the South African Chartered Societies and the assurance that control would be in the hands of the profession. The Western Branch supported the Cape Society's view that registration should be voluntary with each society the "master in its own house" (UG49, 1935: 11). It was believed that the South African Chartered Societies should be given a sole right to audit where public money or departments were concerned. Both South African Branches of the Incorporated Society, however, agreed that some sort of registration was necessary, providing it would leave the South African Chartered Societies free to control their own affairs (UG49, 1935: 11).

THE ISSUE OF COMPULSORY REGISTRATION

The arguments advanced against registration were numerous. In the United Kingdom, an investigation there by a Board of Trade Committee in 1930 had concluded that a central register of the accounting profession was not desirable. Another point presented was that, in the interests of fairness, all practising accountants would need to be taken in and unqualified men would, in the process be given a status they did not deserve. This had been the experience in the Transvaal and Natal after their enactments of 1904 and 1908 respectively (UG49, 1935: 12). There was also a very real concern that any process of registration would not achieve immediate finality as periodic public agitation in the future might persuade the Government of the day to reopen the register to unqualified people. The furore surrounding the 1924 Bill and the Transvaal and Natal registers supported this point of view. The non-chartered accountant lobby was vociferous, and constant in its hostility at not being included in the Designation Act of 1927 through the supportive Pearce Agreement. Much of the antagonism had been directed at the Cape Society (UG49, 1935: 11) because of the advantageous position this voluntary Society had achieved through its close contact with the other three Provincial Societies.

It was also put forward that the public should be allowed to choose those they believed best suited to do their auditing and accounting work but it was claimed that South African chartered accountants already performed 75 per cent of the "important auditing and accountancy work" (UG49, 1935: 12). This is probably accurate as the new Companies Act required qualified auditors to perform company audits and the CA(SA) designation added to their credibility.

The Commissioners reviewed these arguments against registration and responded to them as follows:

(i) The British Board of Trade had had a number of concerns about compulsory registration, the first being that there was very little public demand in the United Kingdom for the registration of accountants. This was coupled with the belief that the restriction of the practice of accounting to a narrow, specialised monopoly would not only see an increase in fees charged by accountants, but the exclusion of those involved in the "practice only in its minor branches and

to clients who need minor accounting services only" (UG49, 1935: 13). In response, the Commission believed it was possible to obviate the above concerns by, for example, recognising bookkeepers as a distinct branch in the profession with their own register, "possibly of a voluntary character" (UG49, 1935: 13). Such a policy could be considered in the future and after the Commission had completed its primary task.

(ii) With regard to a perceived public call for compulsory registration of accountants in South Africa, the Commission sought the opinions of senior civil servants, such as the Controller and Auditor-General and the Chambers of Commerce of Pretoria and Durban. While all agreed that compulsory registration would be in the public interest, evidence received from outside the profession did not indicate overwhelming public demand for compulsory registration. It was rather, "in the opinion of your Commission, of a kind to reinforce the conclusion that a case for registration [had] been made out" (UG49, 1935: 13). With considerable insight, the Commission noted that the organisation of the profession of accountancy was "hardly a question upon which an informed public opinion is likely to be clearly and strongly manifested" (UG49, 1935: 14).

(iii) The Commission noted that the problem of giving statutory recognition to unqualified people had been experienced whenever a profession was established in law for the first time and ascribed this to the greater "interests of efficiency, discipline and the protection of the public" (UG49, 1935: 14). It believed a view needed to be taken of "some sacrifice of immediate professional interests" in anticipation of stability in the long run. The Commission noted that this had been done in the Transvaal and Natal as well as via the Pearce Agreement which had moderated the Designation Act of 1927. It believed that this had been a reasonable tactic used by the accounting profession in the past and would be so again, also pointing out that it would probably only apply to a small number of semi-qualified people in public practice. However, the Commission specifically stated that such individuals should not be "admitted to chartered rank" (UG49, 1935: 14) and this principle was later to be confirmed in the Act of 1951 at Section 23. The Commission also noted that in return for this

latitude, any arrangements made for the registration should be considered final with no future calls for the register to be reopened. The Commission appears not to have included these enlightened principles in its final recommendations which contained a limited acceptance of "other" qualifications.

REGISTERED AUDITORS ONLY?

The Commission pointed out that a suggestion had been made that instead of a register of accountants entitled to practise in the Union, there should be a register of auditors able to be appointed to perform statutory audits as required by legislation, such as the Companies Act and the Building Societies Act. Non-audit work usually performed by such professional auditors would then be available to others. The Commission noted that the proposal would make it easier for the State to regulate the profession, it being argued that, firstly, the audit and certification of financial statements was an easily definable part of an accountant's duties and, secondly, that it was the "only audit function with which the State [needed] to concern itself" (UG49, 1935: 15). This is an interesting comment in the light of the fact that the new South African Companies Act 71 of 2008, as amended, has reduced the previous requirement – that all companies be audited – to public and state-owned companies (Act 71, 2008: s90), and to public-interest-scored companies, in terms of Companies Regulations 26–9 (2011). Clearly the State, in 2008, perceived a blanket audit requirement for all companies as contained in the Companies Acts of 1926 and 1973, to be unnecessary. There is no restriction upon private companies seeking a voluntary audit.

The 1934 Commission noted that the proposal to restrict auditors to audit work alone did not consider the need for a qualified, ethical body of accountants to serve the public interest as had been achieved by the formalisation and registration of the medical and legal professions. With acuity, the Commission noted that the "work of a public accountant [had] become of increasing complexity and importance in the life of a modern civilised community, and there [were] indications that the work [might] in the future become an even more essential part in efficient economic organisation" (UG49, 1935: 15–6).

THE REGISTER

The Commission's final decisions were not to accept the proposal to register auditors only and to provide for legislation for the compulsory registration of accountants in the Union. While noting the need to recognise the rights of those actually making a living through accountancy, the Commission did not believe registration could be extended to "unqualified persons". The register thus consisted of the following people (UG49, 1934: 16):

(i) all members of the South African Societies as defined by the Designation Act of 1927;
(ii) those in the Cape and Orange Free State *bona fide* in practice as public accountants in 1934 with a Government Licence;
(iii) "a limited number of those who satisfy the Provisional Board" of the standard of their professional qualifications, both theoretical and practical. (The Commission's report was quite specific that the experience required was that "gained in a practising accountant's office" (UG49, 1935: 16), thus throwing its weight behind a period of articles.)
(iv) foreigners with overseas qualifications equal to those of South African chartered accountants and in possession of a pass in a special examination on South African law.

The Commission made a number of other recommendations, principally that (UG49, 1935: 16):

(i) all accountants enrolled in the register should be known formally as Registered Accountants and Auditors (a term used in the 1951 Act and used until the promulgation of its replacement by the Auditing Profession Act, No. 26 of 2005);
(ii) once the enrolment process had been completed, no one would be permitted to practise as a public accountant and auditor unless they had qualified as chartered accountants and been admitted to one of the four South African Chartered Societies;
(iii) a mechanism be implemented to allow non-chartered "Registered Accountants and Auditors" to qualify as chartered accountants.

The Commission recommended that non-chartered accountants be admitted by the proposed new board to one of the four South African Chartered Societies providing they had (UG49, 1935: 19):

(i) passed both the Board's intermediate and final examinations or some other acceptable examination;
(ii) nine [*sic*] years practical experience in the office of a public practising accountant – no reason was given for this extensive period even though a maximum of six years was required from non-articled clerks;
(iii) complied with any requirements of the Society concerned.

The implication is that having met all the above requirements, the individual concerned would be admitted to the status of a CA(SA).

"FEELINGS RUNNING HIGH"

SPECIAL CLAIMS

Chapter Three of the Commission's Report dealt with special claims. In this respect, the Commission made a strong recommendation that both the organisation that would conduct the enrolment to the register and the body charged with admitting non-chartered accountants, contain representatives from outside the profession. This was due to the fact that witnesses before the Commission did not want the four South African Chartered Societies to dominate proceedings, a residue from the hard politicking of 1924–5. The Commission reported that "feelings clearly have been running high in some quarters as a result of the past controversies about the correct solution of the problems now under consideration" (UG49, 1935: 16).

As indicated by the analysis of the Act of 1951, this principle of representation from outside the profession maintained its relevance through the years from 1934 and was incorporated in the 1951 Act. In 1934, the recommendation was for a provisional board of three members, two nominated by the Minister of Finance and one nominee of the Societies with a later more permanent accountancy board comprising a balanced mix of the Minister's nominee and representatives of the Societies and Universities. Again,

while these recommendations were ultimately incorporated in the 1951 Act, they were broadened in that Act.

The Commission envisaged this board as being responsible for all matters which concerned the profession, with the exception of "domestic affairs" which it believed, in the spirit of provincial independence fostered by the Act of Union, needed to be vested in the Councils of the Chartered Societies. As to what was covered by the phrase "domestic affairs", the Commission did not specify, but in this recognition lay the seeds of the future South African Institute of Chartered Accountants.

At this juncture, the Commission reported that it had needed to investigate allegations made by some witnesses. Up to this point of its report, the Commission's language had been mild and workman-like, but the use of the word "allegations" gives some idea of the emotions that lay beneath and clearly complicated the Commission's work.

The Designation Act had created animosity amongst those accountants who had not benefitted from its provisions.

In particular the representative of the Institute of Accountants of South Africa Ltd felt aggrieved and, before the Commission, declared that the South African Chartered Societies had broken the Pearce Agreement by failing to admit all covered by its provisions. The Commission's investigations underlined the fact that the Agreement had been "carried out with scrupulous fairness" (UG49, 1935: 17) and while there had been instances of hardship for those not covered by the Agreement, the Commission did not believe such cases necessitated further relief for those unqualified by examination and experience (UG49, 1935: 17).

The Institute's representative further accused the South African Chartered Societies of creating an examination with too high a standard. The Commission had a contrary view. It underlined the principle that the Four Societies had striven to maintain since the first attempt in 1913 when it reported that these Societies

> "[had] reached and maintained a professional status of a high order comparable to the best societies overseas and that any measure failing to recognise this fact

or tending in any way to lower that status would be contrary to the interests of the public and the profession" (UG49, 1935: 17).

When the London Association and the Corporation of Accountants (Glasgow) proposed that they too were entitled to the designation "Chartered Accountant (South Africa)", the Commission ruled that since 1927 the designation had become recognised both in South Africa and elsewhere and could not be extended as no other South African society had reached "a standard entitling it to recognition on an equal footing" with the four covered by the Designation Act. The Commission concluded that their formal recognition of accountants of other societies should only be upon the basis of an individual's qualifications and not as a result of membership of a society (UG49, 1935: 17).

The exclusion was an unfortunate part of the Designation Act, having engendered hard feelings and long memories that would be one reason why the Government did not take up the Commission's recommendations in 1935.

CONCESSIONS

With regard to qualifications, the Commission accepted evidence laid before it that there were accountants who, while not members of one of the Four Societies, were nevertheless already sufficiently qualified and experienced to be included on the proposed register. A special provision would be needed to allow this (UG49, 1935: 18). Within six months of the proposed Act coming into effect, the provisional board would be empowered to register persons who, firstly, had passed a final examination set by a professional accountants society and of "a sufficiently high standard" (UG49, 1935: 18), and secondly, had completed five years' practical experience of "a sufficiently varied and satisfactory nature" in either the office of a public practising accountant or the accountancy office of the applicant himself. The emphasis on public accountants as distinct from accountants in the Public Service was clear as was the Commission's intention to avoid the destructive debate about this aspect that had ultimately derailed the 1924 Bill. The concession was intended "to be strictly limited" so as "to remove any possibility of the reproach" that qualified South Africans had been debarred from the register (UG49, 1935: 18).

The Commission left it for the provisional board to determine what constituted "sufficient qualification" but gave guidance in that it recommended the final examinations conducted by the London Association of Accountants and the Corporation of Accountants. The use of these entities' examinations was in the nature of an olive branch. With regard to experience, the Commission was very specific – experience obtained in "a commercial or industrial office, or as an accountant or auditor in a Government department or municipal office or in a Bank or similar entity, should not be recognised" (UG49, 1935: 18). The Commission was also clear as to one group it intended to benefit – those in practice in the Transvaal or Natal who carried on a business "on an appreciable scale in the various branches of accountancy work, even though [they were] prevented by provincial law from calling [themselves] accountants or from certifying a balance sheet in such province" (UG49, 1935: 18).

In this, the Commission hoped to lay to rest, finally, one source of animosity: those who had not, for some reason, been registered or able to register under the Transvaal Ordinance of 1904 or the Natal Act of 1908 but still remained in practice in 1934. There would have been few alive from that period to benefit from this belated registration concession and the Commission would have known this; cynically speaking, this would have been a cheap concession.

PUBLIC SERVANTS

The Commission noted that the Public Servants' Association had applied for special concessions but these had been refused on the basis that no case had been made for practical training in the Public Service. The Commission further noted that the 1924 Bill at Section 19 had allowed a concession in the form of 18 months' practical experience in the office of an accountant in public practice but did not mention the essential impracticality of the concession – few could afford 18 months away from their normal employment. It ruled practical experience gained outside the accounting profession as too narrow in scope and recommended the admission criteria set for entrance to the four South African Societies should, in the future, be the minimum for all future admission to the register (UG49, 1935: 19).

With regard to public servants, the Commission noted further that such individuals could improve their qualifications – and hence their status – by completing the degree

of Bachelor of Commerce but recommended that key units within the Public Service – such as the Treasury, and the Control and Audit division – should actively recruit people who had already qualified as chartered accountants. This of course meant the civils' careers could thereby be blocked by outside-trained people.

The case of Municipal Treasurers drew special attention. The Commission saw no point in creating statutory bodies for specialised accountancy bodies like Municipal Treasurers and Costing and Statistical Accountants, believing instead that voluntary societies could equally exercise a beneficial role. The only persons to be subject to statute should be accountants and auditors in public practice (UG49, 1935: 19).

ANNUAL FEES AND THE EMPLOYMENT OF ARTICLED CLERKS

The Commission pointed out that it had been guided by the principle of not interfering with the "control of the profession by statute" more than was considered necessary – the issue of the quantum of annual and entrance fees being in the hands of the Chartered Societies themselves. Accordingly, no recommendations were made regarding the salaries paid to articled clerks or their number, or premiums paid by such clerks (the latter practice does not appear to be widespread in South Africa). While the Commission was of the opinion that discipline regarding fee payment should be left to the Societies, it noted that the proposed provisional board would need to provide for the discipline of non-chartered accountant Registered Accountants and Auditors (UG49, 1935: 20).

In the matter of discipline the Commission was completely out of step with the previous Bills and the subsequent Act of 1951, all of which prescribed disciplinary structures as well as lists of what constituted unacceptable behaviour subject to disciplinary sanction.

The question of who should have the right to employ articled clerks drew an interesting response from the Commission when it declared its intention over time to see the phasing out of the classification "non-chartered accountant Registered Accountants and Auditors" (i.e. individuals who had been clerks but not articled clerks) and that, as a group, they should not be "perpetuated more than [was] absolutely necessary" (UG49, 1935: 20). The Commission recommended that, in the future only accountants in public

practice, who were members of the South African Chartered Societies, be permitted to have articled clerks, noting that the Councils of these Societies screened members' applications to take on such clerks to ensure they were afforded "sufficient experience and adequate practical training" (UG49, 1935: 20). In its draft Act, the Commission detailed the regulation of matters relating to articled clerks.

THE SOCIETIES AND THE UNIVERSITIES

The respective interactions of the Transvaal and Cape Societies with the Universities of the Witwatersrand and Cape Town were emphasised by the Commission, particularly the fact that the two Societies made grants to these universities to provide lectures to the articled clerks, thereby enhancing the training and knowledge of such individuals. Before the Commission, the University of the Witwatersrand made two recommendations, firstly that there should be an official check upon unqualified correspondence schools through more cooperation between the Societies and, secondly, a central examinations board to be established with representation from it and the University of Cape Town. The Commission was unable to make a recommendation regarding the correspondence schools without further investigation, but supported the idea of a central examinations board. However, it believed that not only the two mentioned Universities should have representation as there were other Universities within the Union which needed to be considered as well – an inclusive rather than exclusive approach (UG49, 1935: 21).

THE COMMISSION'S DRAFT ACT

The core of the Commission's work was contained in Chapter Four of its report entitled, almost laconically, as "machinery", by which was meant a draft Act incorporating all recommendations as how to implement them.

An analysis of this 1934 draft and a comparison of it to the 1913 and 1924 Bills, on the one hand, and the 1951 Act, on the other, reveals some interesting perspectives. Like the 1951 Act which drew upon the Report, the 1934 draft exhibited a style of legal draughtsmanship noticeably different and more modern when compared to the earlier Bills. These later pieces of legislation contained no preambles but only a brief statement of the legislation's intended purpose; they also contained a section of definitions of key words. While neither the 1934 nor 1951 Bills defined "audit", both

defined “public practice” and “society” in almost the exact same words – “society” meaning one of the four South African Chartered Societies (UG49, 1935: 21).

Unlike all the other prior pieces of legislation, the draft Act of 1934 prescribed a provisional board of only three members, two appointed by the Minister of Finance – one, an advocate of not less than 10 years’ standing, to act as the Chairman – and one appointed by the Societies (UG49, 1935: 22). In comparison, the 1913 Bill proposed a provisional council of 11 comprised entirely of appointees of the Societies. The subsequent outcry caused the Societies to modify the 1924 proposal slightly by the inclusion to the proposed council of the Union’s Auditor-General and a nominee of the Minister of the Interior from amongst those practising accountancy but who were not members of one of the Four Societies. A further nominee from the Orange Free State increased the Societies’ already sizeable membership on this council to 12. Between 1925 and 1934, the cabinet responsibility for the development of an accountancy Act moved from the Minister of the Interior to the Minister of Finance as Cabinet responsibilities were shifted.

In a move of some significance the 1951 Act ignored the idea of a provisional board council and opted instead for a board that would accept full responsibility from the start of the process with no need to pass on authority to a more permanent structure later. In addition, the 1951 Act allowed for a more representative membership on the board with no one group achieving an outright majority through membership alone (Statutes, 51 of 1951: 3).

As with the other pieces of legislation, the 1934 draft allowed for a register to be opened so as to enrol qualifying candidates, the period allowed for such enrolment being six months. This time period was to be incorporated in the 1951 Act whereas the two previous Bills had stipulated a period of 12 months.

The analysis of the qualification of those eligible for registration in terms of the 1951 Act indicates a reasonably broad base; those of the 1934 draft and the previous Bills were limited and mainly restricted to members of the Four Societies and their articled clerks. The proposed 1935 registration was to be Union-wide but an individual’s enrolment was in respect “of one Province only” (UG49, 1935: 25). This meant that

anyone who wished to practice Union-wide needed to become a member of the Society in each province in which he practised. This was a potentially clumsy requirement and out of step with ideas of the public good; it also reflected a provincial rather than national perspective. The draft included three more categories of eligibility (UG49, 1935: 23):

- Firstly, those articled clerks, who, on 31 March 1935, were registered with an organised body of accountants other than one of the Four Societies, who had also registered that status with the provisional board within three months of the draft Act's passage and who subsequently completed the requirements for admission to a Society.

- Secondly, those who had passed a final professional examination approved of by the provisional Board as well as completing five years of practical experience in a public accountant's office and similarly approved of by the Board.

- And thirdly, the 1934 draft extended admission to those who, in the opinion of the provisional board, had been in practice as a public accountant at any time in 1934 and held the licence to prove it. Given the Commission's stated position regarding the lack of equivalency between accounting experience in public and municipal service with that in public practice, it was not surprising that the 1924 concession to those in these services – of the acceptability of a continuous period of 18 months' experience in the office of a practising member of one of the Four Societies (AB, 1924: s19) – was not repeated.

THE ACCOUNTANCY BOARD

The 1934 draft envisaged the provisional board completing its task in six months and thereafter transferring responsibility to an accountancy board comprising, finally, of one member appointed by the Minister of Finance, one each by the Four Societies and two members appointed by the South African universities' Vice-Chancellors' Committee from among the members of their respective Faculties of Commerce (UG49, 1935: 23). The draft also allowed the Minister to appoint to the Board a nominee of the Rhodesia Society of Accountants.

Two points are immediately apparent: the Societies were given a potential majority on this board as the Rhodesian was likely to support the Four Societies or remain neutral. The Rhodesians had a long association with them but had not chosen to give evidence or in fact to attend proceedings (UG49, 1935: Annexure 1). And secondly, the role of universities in the education of accountants was officially recognised. The link between profession and academe is still strongly apparent in 2013, but allowing the Societies a potential majority on the board was a retrograde step harking back to the Bills of 1913 and 1924 and clearly out of step with the wishes and views of others involved in finding an equitable solution to the vexed question of registering accountants in public practice. Clearly, as wide an incorporation of accountants as possible was needed, not a narrow self-interested admission. The former principle prevailed in the Act of 1951 and its absence in the 1934 draft is probably one reason why the Commission's recommendations were not taken up and its report ended in the archives like the Bills of 1913 and 1924 had done. On the positive side, a number of issues – such as articles of clerkship – had been resolved and would assist in the development of the 1951 Act. In many respects, 1934 represented a watershed between the old and the new, as detailed below.

The duties of the Accountancy Board included maintaining the register of members, regulating articles of clerkship, considering applications for membership by individual members of bodies of organised accountants outside the Union, conducting examinations of candidates for registration and laying down rules as to what constituted unprofessional conduct (UG49, 1935: 24). A comparison of these duties with those listed in Section 21 of the 1951 Act reveal a marked similarity. Portions of the Commission's recommendations were thus deemed acceptable in 1951. The 1951 Act departed from the 1934 draft in one significant area – that of financing the board's activities. The draft 1935 Act foresaw the board being financed through examination fees, admission fees and annual subscriptions with any shortfall being met by levies on the Four Societies in proportion to their membership. A surplus in any one year would be carried forward to the following year (UG49, 1935: 24). The weakness in this approach is apparent – self-funding and self-regulation do not make for easy bedfellows, despite the fact that the Minister in the 1934 draft needed to approve any regulations framed to give effect to the board's duties. The 1951 Act was silent upon the funding of the board beyond the income it could generate. In reality, the State came

to allocate an annual grant to it, a state of affairs which is essential today to the functioning of the IRBA. The IRBA's Annual Report for 2010 lists Government grants of R22 million (IRBA, Annual Report, 2010: 66) or 36% of the disclosed revenue of R60.6 million. The comparative figures for 2011 and 2012 are R29 million (IRBA, Annual Report, 2011: 76) or 43% of the disclosed revenue of R67 million, and R34 million, or 44% of R77 million (IRBA, Annual Report, 2012: 71).

BY-LAWS

While the Commission had a philosophy of allowing the Four Societies administrative control at the local level, the draft Act nevertheless legislated by-laws for the Societies to enable them to function uniformly at that level. Amongst these were the fixing of annual and other fees, regulating the membership and functioning of the council of a Society as well as its powers and duties. All by-laws were to be passed at the Societies' general meetings and were subject to the approval of the Minister of Finance. As the 1951 Act was less concerned with the internal functioning of the Societies and more with the regulation of the profession as a whole, a list of by-laws for the Societies was not included in that Act. This is also true of the Bills of 1913 and 1924 which envisaged a strong centralised board responsible for its own by-laws (1913: s33; 1924: s36). The 1913 Bill envisaged the Minister of the Interior approving any changes to the by-laws via an announcement in the *Union Gazette* with the Governor-General's approval after notices had been placed in newspapers in each of the four Provinces and allowing for comment to be lodged within 90 days of their publication.

ARTICLES OF CLERKSHIP

A topic formally introduced in the 1934 draft was that of articles, an indication of the growing importance in South Africa of this aspect of the profession, as the issue had not been considered of significance for it to be included in the Bill of 1913 and to a lesser extent 1924. The 1935 draft made the completion of a period of five years' articles mandatory for admission as a Registered Accountant and Auditor (UG49, 1935: 25). Provision was made for exemption by way of acceptable "practical training and experience" outside the Union or completion of a university degree. Admission to the status of articled clerk was dependent upon the production of a birth certificate, evidence as to the applicant's being a "fit and proper person" as well as proof of having successfully passed the matriculation examination of the Joint Matriculation Board.

Clerks were to be articled to Registered Accountants and Auditors who had been given written permission to do so by the Society of the Province in which the articles were to be served. Articles were only valid if registered with that Society. In addition, the Registered Accountant and Auditor was to be a member of that Society in good standing and, in that Society's opinion, able to provide practical training which was "sufficiently extensive and intensive" (UG49, 1935: 26). The Society was required to notify the Accounting Board of all articles it had concluded and the Board, in turn, was required to keep a register of all articles entered into.

The significance of the above is that the Societies effectively controlled the whole process with the Accountancy Board reduced to simply keeping a register of information provided to it. The net effect of these arrangements was twofold – firstly the proposed Accountancy Board lacked visible authority and, to outsiders, the Commission appeared to be unduly favouring the four provincial Societies. The 1951 Act placed the whole process of registering articles firmly in the central hands of the Public Accountants and Auditors' Board, thereby enhancing the independence of the process as well as of its undisputed authority in the matter.

EXAMINATIONS

With regard to examinations, the 1935 draft Act placed these unambiguously in the hands of the Accountancy Board, replacing the South African Societies General Examining Board with its own Accountants Admission Examination comprising the Intermediate and Final Examinations in Accountancy. This was a little out of line with the 1951 Act which, while acknowledging its Board's primacy in the examination process, allowed it to "make arrangements for such examinations or any part thereof to be conducted on its behalf by any part thereof by any one or more universities or institutions approved by the Minister" (Act 51, 1951: s25(3)).

ADMISSION: A CONCESSION

In a logical progression from articles to examinations and then admissions, the draft Act dealt with admission criteria to the Societies, these being successful completion of both the practical articles and the theoretical examination. Of importance here is the concession granted to Registered Accountants and Auditors of good character, having passed both the Intermediate and Final components of the examination process, but

who had not completed formal articles – instead having completed not less than nine years' practical service in the office of a publically practising accountant (UG49, 1935: 26) (see also UG49, 1935: 19). The draft proposed that such individuals be admitted to the Society to which application had been made. The implication of this proposal was that the individuals concerned would be entitled to the designation CA(SA). The Bills of 1913 and 1924 contained similar provisions which were clearly designed to ameliorate the condition of qualified individuals who nonetheless lacked the formal recognition of service that articles would have conferred. The 1951 Act also contained a similar provision but reduced the period of non-articled service to six years (Act 51, 1951: s29).

DISCIPLINE AND PROFESSIONAL BEHAVIOUR

It is in the field of discipline that the Commission's recommendations became significantly unworkable, despite the fact that the underlying principles were sound. The draft Act proposed that those Registered Accountants and Auditors who were members of the Four Societies be subject to the discipline of those Societies while all others registered with the board would be subject to its disciplinary authority (UG49, 1935: 27). Such a system was open to accusations of unequal treatment. In terms of the 1913 and 1924 Bills, this dual split in authority was not contemplated, their proposed Societies retaining full control over the power to discipline members for improper conduct. This was also the case in the 1951 Act which stated unequivocally at Section 27(1)

> "The board shall be responsible for the discipline and control of persons registered as accountants and auditors under this Act … and impose … any punishment prescribed".

The draft 1935 Act allowed the councils of the Four Societies and the provisional board to investigate alleged misconduct within their own spheres and impose such penalties as they saw fit, including prohibition of practise, removal from the register and the advertising of these facts in the *Union Gazette*. The councils and the Board were empowered to summon members to attend enquiry committees – the summons used were to be set out, as far as possible, in the form used in the Third Schedule to the Medical, Dental and Pharmacy Act, 1928 (UG49, 1935: 29). In the Union period after

1961, other professions were legalising their existence and functioning through Parliament and uniformity of administration was a goal.

As with the Bills of 1913 and 1924, the draft Act affirmed the individual's right to take the matter to the Supreme Court but required the individual so doing to put up £100 as security "to cover any costs awarded against him" (UG49, 1935: 27).

The Act of 1951 at Section 28 sought to keep its disciplinary powers "in-house" as far as possible and detailed a process of enquiry into allegations of misconduct. In terms of this section of the Act, the board could impose a maximum penalty of £50. More stringent punishment was available to it in terms of Section 21(g) of the Act – that is: the removal of an individual from the register or suspension from practice. The sophistication of the 1951 disciplinary procedure has its roots in the 1935 draft Act and the following aspects were detailed in the draft wherein the Board was empowered

- to take evidence, summon witnesses and require the production of documents etc.,
- to summons before it the attendance of any member via registered letter "in the same manner as it would be served if it were a subpoena issued by a magistrate's court",
- to bind the person summoned to obey, attend and provide evidence. Failure to do this was in itself an offence which attracted a fine of £25 (UG49, 1935: 29).

The 1951 Act, the Bills of 1913 and 1924 and the draft Act of 1935 all contained a section detailing offences and there is great similarity in the misdemeanours listed. Engagement in public practice without prior registration was anticipated to be a common offence but the draft Act was at pains to point out that this prohibition did not apply to those describing themselves as "accountants" and employed exclusively at a salary or those honorary auditors of clubs, institutions or societies who performed their task but did not receive a fee for their work.

A new idea, introduced by the draft Act – which was carried over into the 1951 Act – was the prohibition on the sharing of profits or practising in partnership with those who

were not registered in terms of the legislation. Of interest is the fact that the 1924 Bill introduced aspects of ethical behaviour that were carried over into the 1934 draft (UG49, 1935: 29). Both contained a prohibition upon a registered accountant from paying, directly or indirectly, a commission for accountancy work or for inducing others to provide such work. In the 1924 Bill, this also extended to "secretly accepting" any share of the profit from "the professional work of a solicitor, broker, auctioneer, or other principal or agent, not being his partner" (AB, 1924: s23(g)). In addition, this Bill – as did the draft 1935 Act – prohibited an accountant from "advertising his profession". As to what constituted "advertising", this was left to future boards and later became a significant concern to the profession as, in RDC Jackson's words (1983: 1), "a highly contentious and complex topic".

While the prohibitions on giving commissions and advertising did not find their way into the original 1951 Act, that of performing accountancy work in connection with anything subject to litigation on condition that payment was only received upon a successful conclusion to that litigation, did. However, a general "catch all" prevented the accountant from sharing profits from practice with non-registered accountants (1951: s30(1)(c)). To the historian these elements are important as they indicate a level of ethical behaviour that the profession sought to instil in its members. Indeed, some of these were later transferred from the legislation to a Code of Professional Conduct which nevertheless retained the power to institute disciplinary action to back it.

CONCLUSION

The Accountancy Profession Commission of 1934 produced a draft Act that was seriously flawed in many respects, particularly in its separate handling of chartered and non-chartered registered members. In essence, the Commission failed to grasp the nettle of a single uniform registration and had given the Four Societies too great a prominence in the proposed structure than perhaps they deserved. In fact, Dr Hjalmar Reitz commented in the House of Assembly, in March 1936, when introducing his Accountants Bill:

> "It must be evident to anyone who reads the report of the Commission that the big four have had it all their own way with that Commission. That was to be expected because of the members of the big four, namely the Chairman of the

> Cape Chartered Society, Professor Galbraith, was actually on that Commission" (USA, Vol. 26, 28/3/1936: 2102).

From Reitz's comments, Galbraith appears to have been one of the main authors of the Commission's Report.

In some ways, the Commission's work indicates a degree of understanding that was lacking in the Bills of 1913 and 1924. Of equal significance is the fact that all succeeding formal attempts – culminating in the success of 1951 – borrowed from the Commission's draft Act. In that sense, the Commission pointed the way for future development. It also led to the final realisation in certain circles that all accountants in the Union needed to be registered in a uniform manner across all four Provinces.

While the Government – in the form of its Minister of Finance, NC Havenga – had been instrumental in the creation of the Commission and the Commission had been prompt in fulfilling its task, its recommendations were not implemented by that Government. It is significant that despite the Commission's recommendations, the Government in 1935 chose not to introduce legislation along the lines suggested, perhaps concerned not to alienate an important sector of the electorate in a period of Afrikaner resurgence. Fusion was in its infancy and the economy was pulling out of the Depression. Locksley attributed this reluctance to act to "opposition from certain bodies" (2001: 6) but did not go into specifics. An analysis of the Minutes of the Select Committee on Pocock's Private Member's Bill gives some answers and these are dealt with in the next Chapter. Two more participants emerged before the outbreak of war in Europe in September 1939 – Dr Hjalmar Reitz, who tried in 1934 and 1936 but whose attempts did not even get to the Select Committee stage, and Pocock, whose attempt made it into Select Committee and a second reading but whose impact was dissipated by the gathering storm clouds in Europe. There is evidence to suggest that Reitz was acting on behalf of the Institute of Accountants of South Africa in presenting his Bills (USA Vol. 26, May 1936: 2853; 2860). This Institute had been overlooked by the Commission in its bid for membership and, as detailed in the next Chapter, made a considerable effort to oppose Pocock's Bill of 1938. This persistence paid off and the Institute's members became part of the few to achieve automatic registration of their organisation in the 1951 Act (Act 51, 1951: s23(3)).

In terms of North's theory of institutional economics, the Commission of 1934 and Reitz's attempts in 1934–6 to put through a registration Bill failed because Parliament and the ruling party of the day saw no immediate benefit in pursuing a contentious Bill at that point. North notes that "different constituent groups have different opportunity costs and bargaining power with the ruler [and] different bargains result" (North, 1990, 48–9). Alternatively, there may be no bargaining at all, as in the period 1934–45, and the *status quo* simply remains.

CHAPTER 12: POCOCK'S BILL OF 1938–40

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CHAPTER 12: POCOCK'S BILL OF 1938–40

THE SOUTH AFRICAN ECONOMY

The period 1934–8 in South Africa saw political consolidation and, as demonstrated by Wilson and Thompson *et al.*, the beginning of

> "a long period of almost uninterrupted prosperity [where] between 1933 and 1965 the real national product grew at an average rate of about 5 per cent. With population increasing at about 2.3 percent, there was an average rise of over 2 percent per annum in *per capita* incomes" (Wilson and Thompson *et al.*, 1971: 32).

Not only were there great advances in mining techniques but also an expansion in manufacturing industries and diversification with new industries established and old ones overhauled.

These authors believe the five years between 1933–8 were fundamentally important "in the 'take off' into sustained economic growth" (Wilson and Thompson *et al.*, 1971: 32) with an increase in gross national product of 70% and a minimal increase in the cost of living. This growth was created, in part, by large investments of foreign capital and an increase in domestic savings (Wilson and Thompson *et al.*, 1971: 33).

Gold mining led the economic recovery and the high gold price made it possible to reopen unprofitable mines. As the mines began to create wealth, so did other sectors in the economy, while the demand for foodstuffs and manufactured goods also increased. The next table shows the average annual exports of South African products, from 1930–49. Gold led the way and by 1930, mine shafts reaching depths of 4000–5000 feet were common (Feinstein, 2005: 101).

TABLE 12.1

ANNUAL AVERAGE EXPORTS OF SOUTH AFRICAN PRODUCTS, 1930–49

	Agricultural and pastoral products	Diamonds	Other products	Gold and specie	Total	Gold and specie as percentage of total
	(£ million)					
1930–4	16.5	3.2	4.1	53.7	77.5	69.3
1935–9	22.1	2.8	5.7	80.4	111.0	72.4
1940–4	19.9	4.6	22.7	86.5	133.7	64.7
1945–9	52.1	11.2	32.7	135.4	231.4	58.5

Source: Feinstein (2005), and *Union Statistics*: N4 and N5.

A drought in 1937–8 prevented farmers from taking full advantage of the recovery and this resulted in a reduction in agricultural employment (Wilson and Thompson *et al.*, 1971: 33). But other sectors of the economy saw an increase in employment figures. In the mining industry, employment grew from 308 000 people in 1932 to 475 000 in 1939 (Wilson and Thompson *et al.*, 1971: 34), while in manufacturing, construction, electricity, and water, there was an increase from 101 000 people in 1932 to 331 000 in 1939 (Wilson and Thompson *et al.*, 1971: 34). The railways, important to the Union's transport and communication infrastructure, increased employment from 86 000 to 123 000 and between 1932–9 and 100 000 White workers were employed in this sector. The Poor White problem, which had haunted the Union since its creation in 1910, disappeared (Wilson and Thompson *et al.*, 1971: 34).

The economic condition of Blacks also improved during this period, but not enough to solve their poverty. In 1932, a Native Economic Commission reported that in the Black reserves, poverty and overcrowding were usual and that poor farming techniques resulted in widespread soil erosion and the impoverishment of the land (Wilson and Thompson *et al.*, 1971: 35). The result was the movement of Blacks into urban areas in search of employment and, when coupled with the migration of Blacks from neighbouring states into the Union, led to a reduction in the level of wages and

hampered any real increase in wages, despite the expanding economy (Wilson and Thompson *et al.*, 1971: 35).

The ownership and capacity of the land was, and had been, an issue for the Union since 1913. The *Report of the Natives Land Commission, 1913–6* shows that 48.6% of the "native" [*sic*] population lived on reserves (UG19, 1916). Research at the University of Natal (Feinstein, 2005: 71) has shown that, in 1936, South Africa's population was about 9.6 million, of whom 6.6 million were Black – 3 million or 50% of whom lived on the reserves. Further research (Feinstein, 2005: 71) has shown that, in 1936, 1.4 million Blacks (21%) worked in towns and the mines while a further 2.2 million (33%) worked on farms. Movement away from the reserves to towns and mines was a reality for many Blacks. But unlike their Poor White counterparts, there was no social policy to assist them.

A further element in the growing success of the Union's economy in the 1930s was the increasing participation of Afrikaners at the highest levels in the economy. Many of these were University graduates. As O'Meara (1983: 205) has shown, in the period 1938–9, a total of 40 Afrikaner credit institutions controlled funds to the value of £27 million. Ten years later the number of Afrikaner credit firms had risen to 68 and controlled funds worth £74.4 million. Business and commerce, by 1940, were no longer the sole preserve of English speakers.

At the outbreak of war in 1939, the South African economy was stronger and more diverse than it had been in 1914. In addition, the British lack of shipping capacity coupled with the difficulty of importing goods through the Suez Canal and across the Atlantic, due to U-boat activity in those waters, gave an opportunity to South Africa's manufacturers which they grasped. The value of their output increased by 116% in the period 1939–45, but a negative factor was inflation, with the retail price index increasing by 32% in the same period (Wilson and Thompson *et al.*, 1971: 36). However, as Feinstein (2005, 128) points out, economic growth was built on the shifting sands of political inequality, rural poverty, pass laws, compounds, low wages, low-productivity and low-efficiency which mitigated against the expansion of secondary industry. As he also points out, so long as the economy was dominated by

agriculture and mining, these weaknesses could be ignored by a self-interested White political majority.

THE SOUTH AFRICAN POLITICAL SITUATION

The period 1933–8 saw the rise of Afrikaner nationalism which climaxed in December 1938 with the laying of the foundation stone of the Voortrekker Monument outside Pretoria and celebrations to mark the centenaries of the Great Trek away from British colonial influences and the Battle of Blood River – the Boer victory over Zulu power in the interior. Two months earlier, the *Ossewabrandwag* had been formed as a cultural organisation to publicise the Afrikaner and republican ideals (Breitenbach *et al.*, 1973: 378). These characteristics became associated with Malan's National Party.

While they were unlikely to lose the 1938 election, rifts appeared in the Smuts-Hertzog alliance. Although Hertzog had little sympathy for Afrikaner republicanism – having accepted the constitutional guarantees of South African independence and its links to the British Crown – he made a poorly considered statement that while "God Save the King" was not South Africa's national anthem, *Die Stem* might become so (Breitenbach *et al.*, 1974: 379). In turn, many of Smuts' followers had found it difficult to accept Hertzog's view on racial matters. Nevertheless, in the election of 1938, the United Party won 111 seats in the House of Assembly; Malan's Purified National Party took 27; the Dominion Party, eight; and Labour (National Council), three. In addition, there were four Independents, three of whom were appointed in terms of the Representation of Natives Act, 1936. Malan's results highlighted the growing sense of Afrikaner cultural and national feeling. Unopposed in Smithfield in 1933, Hertzog found his 1929 majority of 1301 votes reduced to 526 votes in 1938 (Breitenbach *et al.*, 1974: 308), (Davenport, 1987: 586).

The Fusion Government ended with Britain's declaration of war on Germany on 3 September 1939. From as early as 1935, Hertzog had stated that Britain could not rely automatically upon South African support should there be a war with Germany. Smuts disagreed.

The situation climaxed when a special session of Parliament was called on 2 September 1939 to extend the life of the Senate beyond its expiry date of 5 September 1939. At a

Cabinet meeting before the parliamentary session, Hertzog underlined the need for neutrality, Smuts urged support for Britain should war break out and was supported by six of the 11 cabinet ministers present. The matter was taken to Parliament and Smuts won with 80 votes to Hertzog's 67 (Davenport, 1987 328). Hertzog's appeal to the Governor-General, Sir Patrick Duncan, to dissolve Parliament was refused for two reasons – firstly, a viable administration could be formed from Smuts' support; and secondly, an election on the question of a European war could result in public unrest – as had happened in 1914. Hertzog resigned, Duncan called Smuts to form a Government and a coalition resulted as the Labour and Dominion Parties were included in Smuts' cabinet. Malan's Nationalists supported Hertzog, now without a Cabinet post, and Fusion ended with the country divided into two parts along language lines, as in 1914 (Davenport and Saunders, 2000: 343).

THE NEXT ATTEMPT

Four years after the Commission presented its Report on the accountancy profession and just over a year before war broke out in Europe, one of the Commission's members attempted to rescue the Report from obscurity. PV Pocock had been the only Member of Parliament (SAP) appointed to the Commission and, clearly, had been disappointed at the Government's lack of response to it. On 2 August 1938, the House of Assembly gave him permission to introduce his "Bill to provide for the registration, qualification, designation and control of accountants and auditors and for matters incidental thereto" (AB, 1938: 1). The Bill was brought up and read a first time, the second reading being scheduled for 12 August.

On that day, Pocock moved – as an unopposed motion – that the Bill be referred to a select committee "for enquiry and report, the committee to have power to take evidence and call for papers and to bring up an amended bill" (USA, HA Debates, Vol. 32, 12/8/1938: 891). The motion passed and on 17 August the Speaker of the House reported that the Committee on Standing Rules and Orders had appointed a select committee of seven members of whom Pocock was one (USA, HA Debates, Vol. 32, 17/8/1938: 1033). The other members are presented in the following table.

TABLE 12.2

SELECT COMMITTEE, "POCOCK'S BILL"

Name of Member	Party Affiliation	Constituency	Length of Service
Broome, FN	United Party	Pietermaritzburg	1938–9
De Kock, AS	United Party	North-Rand	1938–43
Hirsch, JG	United Party	Port Elizabeth	1933–43
Hooper, EC	Dominion Party	Durban (Berea)	1938–43
Pocock, PV	United Party	Pretoria-Central	1929–58
Trollip, AE	United Party	Brakpan	1938–53
Warren, SE	National Party	Swellendam	1938–53

Sources: USA, HA Debates, VOL. 32, 12/8/1938: 891; and Parliamentary Register, 1910–1961.

The Committee was thus solidly Government oriented and met for the first time on Monday 22 August, appointing Hirsch as its Chairman.

THE BILL

Pocock's 1938 Bill was, in almost every aspect, a repeat of the Commission's draft Act of 1934 and even the paragraphing remained the same. Between these two dates, the original draft had been subject to close scrutiny by a legal draughtsman to prevent ambiguity and careless language as far as possible as well as consolidating it as Union legislation. For example, Pocock's Bill introduced the requirement of Union residence for those seeking admission to the board's register of members (AB, 1938: s11(a)v). This stipulation was not in the Commission's draft Act but it should be noted that Pocock's Bill affirmed the principles of the public good established in the Commission's draft. For example, in terms of Section 30 of both Pocock's Bill and the Commission's draft Act, the board could exempt non-Union accountants from serving Union articles or passing Union examinations providing they had done so satisfactorily outside the Union. But should they wish to practice in the Union, they were required to pass an examination on South African law so that they could understand and apply it. Again, Pocock's Bill – under the heading "Functions" – sought to regulate the number of articled clerks allocated to any one member together with their registration and

transfer (AB, 1938: s14(1)(b)). A modified Section 16 ("Accounts") in Pocock's Bill required the board to complete three further tasks:

1. to provide an annual balance sheet together with the revenue and expenditure account;
2. to have their accounts audited; and
3. to allow any registered accountant and auditor to inspect the accounts and auditor's report in the offices of the board.

This was an interesting amendment and was meant to enhance the accountability of the board in the exercise of its fiduciary duties. All Four Societies were to be provided copies of the above documents as they were expected to make up any shortfall in revenue over expenditure.

An amendment to the by-laws governing the transfer of members between Societies catered for the administrative considerations of resignation and readmission of members together with the issue of certificates of membership. The ability of members to rely upon each other was indicated in Pocock's Bill under the section entitled "unprofessional conduct". The offence described was that of an accountant declaring work to be his when this was not the case; the new *caveat* provided that the paragraph did "not apply to services performed by one registered accountant on behalf of another" (AB, 1938: s38(b)).

Of equal importance, the Bill at Section 37(5) followed the Commission (UG49, 1935: 28) in allowing South African registered accountants and auditors to share profits and practise in partnership with firms who carried on a business in the Union under a title which included the names of a non-Union firm of public accountants. In these ways, the Commission and Pocock sought three objectives:

1. to allay the fears of foreign accountants – particularly the British chartered accountants about discriminatory practises against their members,
2. to preserve a valuable pool of skilled professionals, and
3. to reassure foreign investors against insular practices.

THE SELECT COMMITTEE

The Select Committee on the Subject of the Accountancy Bill met on four occasions in 1938 – on 22 and 31 August, and 8 and 19 September. During the latter two sessions, the Committee took evidence from two groups: the Four Societies who supported the Bill, and the three organisations in opposition to it; the Institute of Accountants of South Africa, the Corporation of Accountants and the London Association of Certified Accountants – formerly the London Association before a 1933 name change. Of importance are the following facts:

1. the Accountancy Profession Commission had taken evidence from 16 organised bodies, 13 of them being accounting bodies of one sort or another. By the time of Pocock's Select Committee in 1938, this had been reduced to seven willing to give evidence. This is probably an indication that the weaker organisations or those concerned with public servants – such as the Public Servants' Association, and the Institute of Municipal Treasurers and Accountants – had realised that they were ineligible for registration in terms of the proposed legislation and desisted from further attempts to gain admission – alternatively, the Bill did not have any widespread recognition or authority to attract participation; and

2. the Public Accountants and Auditors Act of 1951 recognised – as eligible for automatic registration – the members of the Four Societies and four other organisations, only one from the period of the Select Committee of 1938, that being the Institute of Accountants of South Africa. By 1951, of the other two organisations present in 1938, the Corporation of Accountants had dropped out of the race and the London Association of Certified Accountants had amalgamated in 1939 with the Scottish Corporation of Accountants to form the ACCA – the Association of Certified and Corporate Accountants. The ACCA was awarded a Royal Charter in 1974.

The remaining three organisations recognised by the 1951 Act were the South African branches of two English Societies – the Society of Incorporated Accountants and Auditors and the Association of Certified and Corporate Accountants – and the South African Association of Practising Accountants. The rise and fall of some of these societies through the period covered by this thesis indicates the tenuous position they

held in South Africa and compares badly with the longevity and stable nature of the Four Societies. Similarity in name and frequent name changes complicated matters.

OPPONENTS OF THE BILL

The evidence produced by the opponents to Pocock's Bill on 8 September 1938 comprised, in the main, a review of past events, beginning with the Chartered Accountants' Designation (Private) Act of 1927. A representative of the Institute of Accountants of South Africa, Mr M Stephen, stated that, before the passage of the 1927 Designation Act, the Four Societies had stated that students and practising accountants wishing to qualify for admission to the chartered societies "would be given every opportunity to do so" (SC12, 1938: Q2). This was supported by the 1927 Select Committee's Report where various members of the Four Societies had stated this fact. The evidence of JDH Lang in 1927, for example, confirmed that non-chartered accountants who qualified for admission could do so through the two voluntary Societies in the Cape and Orange Free State, thereby avoiding the more strenuous requirements of the two statutory Societies in Natal and the Transvaal (SC5, 1927: Q517). Stephen's perception was that "this avenue has been discarded and evaded" (SC12, 1938: Q3) through the Chartered Societies amending their by-laws to require the successful completion of articles of clerkship under a member in public practice in South Africa or the same period under a public accountant outside of South Africa. The Societies had been consistent in this. Stephen either misunderstood or was misinterpreting that the net effect of this was to prevent South Africans – other than those trained by the Four Societies – from gaining admission to the chartered bodies while leaving the door open to overseas qualified accountants. This was essentially correct – the designation gave the Societies an advantage.

A further concern was the shortcomings of the Pearce Agreement which had allowed two groups admission to the South African Chartered Societies – Class I dealing with those with five years' experience in sole practice and who passed an examination and Class II, those with 10 years' practice with no examination. Stephen accurately described this Agreement as "the price paid by the Chartered Societies to get what they wanted" (SC12, 1938: Q5). He believed, as many others probably did, that the Societies' amendment of their by-laws reduced the impact of the Agreement, which, in any case, "did not achieve or purport to achieve registration, and it did not require or

insist on other accountants becoming chartered accountants (SA) in order to prevent their rights being taken away" (SC12, 1938: Q5). Stephen's analysis was not quite accurate, but he was correct in believing the Agreement achieved little. The inaccuracies would later earn Stephen censure from Hirsch.

OPPONENTS IN AGREEMENT

Stephen pointed out that a conference between the Institute of Accountants, the Corporation of Accountants and the London Association of Certified Accountants had settled their differences and provided a united front for discussion with the Four Societies. The Chartered Societies had not embraced the idea with any enthusiasm. Stephen's belief was that "all they propose to do is to dominate and, if possible annihilate [the other societies]" (SC12, 1938: Q8). This was unacceptable to the other societies who were dissatisfied with the *status quo*.

STEPHEN'S PROPOSAL

Stephen suggested a seven-point solution to the *impasse* in a modification of the Commission's draft Act as follows (SC12, 1938: Q10–1):

(i) a modified final examination for admission to the chartered societies for the members of the societies he represented;
(ii) a 10-year period of continuous public practise to grant automatic admission into the chartered societies;
(iii) overseas London and Corporation accountants who had qualified there by examination to be required to write an examination in South African law only;
(iv) protection of existing articled clerks and agreement that future clerks would be trained by chartered accountants only. This would include those covered in (i) and (ii) above as trainers until all had worked through the system;
(v) current London and Corporation students to be entitled to write the CA final examinations seven years after being registered as students in South Africa;
(vi) greater representation on the Accountancy Board; and
(vii) all members of the London, Corporation and Institute resident in South Africa to go on the register automatically (but not necessarily as chartered accountants).

With regard to the above proposals, Stephen estimated an immediate increase of 125 new chartered accountants would be the result, compared to the current membership of the chartered societies of 1 200 (SC12, 1938: Q11). He concluded: "Therefore when one looks at the thing, it is a small number of persons who will be affected by the amendment" (SC12, 1938: Q11). The proposal appeared reasonable.

Stephen believed that the Institute's Bills introduced by Reitz in 1934 and 1936 had forced the Four Societies to support Pocock's Bill of 1938. He concluded:

> "They did not actually want it but it was because of their being forced to do this that they felt they themselves would take up the matter of the Bill suggested by the Accounting Commission … The Government is, we understand, prepared to put through a Bill if it is satisfied that it is an agreed measure. With this end in view we have submitted the amendments we desire to have made to the present Bill. The CAs know that the Bill cannot become law unless the other side has had some say in connection with the matter and a settlement arrived at" (SC12, 1938: Q13).

The fact that the Reitz Bills failed early in the process does not support this view. The Societies were probably more concerned with the solidly United Party Select Committee, compared to the sole parliamentarian on the 1934 Commission, Pocock.

RICHMAN'S PROPOSALS

While Stephen spoke for the opponents to the Bill responding to the Committee's call for evidence, the South African representative of the Corporation of Accountants nevertheless placed before the Select Committee his organisation's memorandum of evidence. The representative, Mr Richman, detailed four main areas of concern that affected all opponents equally.

(a) As it stood, the law entitled the Corporation's members to practise as accountants in the Cape and Orange Free State. If the Bill became law, this would be illegal.
(b) Members of the Corporation were to be treated individually and not admitted *en bloc* as with the chartered societies.

(c) The Bill prevented members of the Corporation from having clerks articled to them, which, at present, they were entitled to have.

(d) South African student members of the Corporation not articled would lose the opportunity of becoming qualified accountants.

To resolve the situation, Richman produced a set of proposals very similar to the ones presented by Stephen earlier in the proceedings. Richman pursued no separate agenda and the opponents' unity was preserved (SC12, 1938: Q15–6).

A second representative of the Corporation, T Reay, pointed out that the Designation Act of 1927 was a private act of Parliament and not a qualifying act. As such, it conferred a right upon members of the Four Societies that they did not previously have in terms of common law. In strict interpretation, this did not entitle the chartered societies to "represent the hallmark of the profession" (SC12, 1938: Q17) as there were other equally qualified accountants outside the scope of the Designation Act. Reay believed the situation had been exacerbated as a result of the Commission's perceived treatment of the South African chartered societies as privileged bodies.

Stephen agreed and described Pocock's Bill as "a Bill of discrimination from beginning to end. We are not objecting to there being discrimination but we object to the extent of the discrimination between the chartered societies and ourselves" (SC12, 1938: Q21).

ANW Thompson, Stephen's colleague on the Institute and a representative of the opposition to the Bill, laid before the Select Committee a 13-point list of the "principal discriminations in the Bill between chartered and non-chartered accountants" (SC12, 1938: Q22). The most important points were that:

- the opponents to the Bill, as an organised group, had no representation on either the Provisional Board nor the Accountancy Board;
- all members of the chartered societies could register at any time, but members of other organised bodies needed to register within six months of the Bill's passage;

- the chartered societies would not only continue while other organised bodies would cease to exist upon registration, but they would also be given the right to control their own affairs and discipline their members; and
- only chartered accountants could have clerks articled to them and could control their registration.

This latter point was important as it placed the non-chartered societies at a disadvantage "in competing with chartered accountants who [were] favoured with that privilege which implies good service from qualifying clerks at low wages and sometimes even premiums in addition" (SC12, 1938: Q23). There were thus common elements in the stance of the Bill's opponents; what is obvious is the number of points of disagreement. Even with the best will in the world, agreement was unlikely without substantial compromise by all concerned.

SUPPORTERS OF THE BILL

The Committee only met again on Monday 19 September 1938, a full 11 days after the opponents of the Bill had presented their evidence. At this meeting, the delegation of the Four Societies was led by HG Galbraith, President of the Cape Society, and GEL Horne, Secretary of the Natal Society. Horne stated that the Four Societies were unanimous in supporting the Bill, with the "exception of one or two minor points" (SC12, 1938: Q24) to which they proposed amendments, known colloquially as "The 19 September changes".

The first amendment proposed was to Section 17 of the Bill dealing with by-laws, (AB, 1938: 8). The proposal was that only members of their Societies, who had, at the time of application, paid all fees and subscriptions due, should be admitted. The second amendment proposed was related to the first and stated that members who had not paid subscriptions due within six months of falling due, should be removed from the register. A member of the Select Committee, Trollip, commented that the Societies should be permitted to make their own by-laws to deal with such situations, a comment which represented a satisfactory solution to the Societies. The proposals of Stephen and Richman were largely ignored.

THE COMMITTEE'S BIAS

The Chairman, Hirsch, pointed out that the Bill had not made provision for those potential members who had completed articles or the final examination but at the time of the Bill's passage, were not members of a Society. He proposed a suitable amendment to Section 28 of the Bill (AB, 1938: 12). In so doing, and by ignoring the concerns of the Bill's opponents, he indicated his and the Committee's preference for the Bill and, by implication, that of the Four Societies. A further point that concerned the Chairman was the fact that the register would generally allow registration only in one Province of the Union. Unqualified persons could thus choose to be registered in Natal or the Transvaal to the detriment of the existing rights of members in the statutory closed Societies in those Provinces. He proposed an amendment in which the Province of registration for such unqualified persons be the one in which they were licensed in 1937. This would automatically exclude them from Natal and the Transvaal where, to practise as accountants, they would have needed to be a member of the appropriate Society. Hirsch concluded: "Qualified persons, on the other hand, [would] be allowed to practise in which-ever province they may choose" (SC12, 1938: 28). No licences were issued in these Provinces anyway – they were governed by statute. Thus, instead of finding common ground, it seems the Committee actively sought to support the position of the Four Societies to the detriment of their opponents.

A further problem foreseen by the Committee was to do with Section 19 of the Bill (AB, 1938: 10) which required an accountant practising in more than one Province to be a member of each Province's Society. The Committee emphasised a key fact in the ongoing saga: "We have been led to understand that Parliament has set its face against legislating for a public profession by making the right to practise contingent upon membership of a private society" (SC12, 1938: Q28).

This is an important principle and one which Parliament had adhered to in various ways since 1913, that being that rights given to one body of professionals should not, as far as was possible, be at the expense of others. Thus, the Committee proposed an amendment whereby unqualified people would still be subject to the inter-provincial restrictions while others – that is: qualified men – would no longer be required to be members of each Society in each Province in which they practised and would fall under the direct control of the Accountancy Board.

THE MAY 1936 MEETING

As a prelude to Galbraith presenting the evidence of the Four Societies, the Chairman of the Select Committee, Hirsch, pointed out that the requests of the opponents of the Bill had been carefully considered but the Committee "could not voluntarily make the concessions for which they asked" (SC12, 1938: Q30). Galbraith, for the Four Societies, took up the story and pointed out that a meeting in Johannesburg as far back as May 1936 had failed to break the *impasse*. Pocock's Bill had thus been developed on the basis of unresolved controversy and with little chance of majority support, despite the fact that the Government "was anxious for agreement between the different societies" (SC12, 1938: Q31).

But, a member of the Select Committee, Warren, pointed out that failure to meet the Bill's opponents and discuss the issues would "be held against us and possibly retard the passage of the Bill through the House" (SC12, 1938: Q31). However, Galbraith reverted to the old argument that by admitting unqualified people, the standard of the CA designation would be reduced. His next comment was revealing in the light of Sections 23 and 29 of the 1951 Act. He stated, "We have no objection to these other people practising as registered accountants, but we want to keep up the standard of chartered accountants SA and not leave it" (SC12, 1938: Q32). It thus seemed possible to have a non-chartered, qualified accountant.

It was pointed out that at the 1936 meeting, the Four Societies had dealt with only the Institute of Accountants of South Africa in the Cape. Subsequent to 1936, the Institute had brought in two overseas bodies – the Corporation of Glasgow and the London Association of Accountants.

The final issue dealt with was the potential for the Minister of Finance to turn down the nominees of the Four Societies to the Accountancy Board. The Societies wanted the Minister to be prohibited from doing this. The Chairman indicated that this was unlikely. It was clear that there were wide differences of opinion and that compromise was elusive if not impossible. This was underlined when the Chairman of the Committee declared the demands of Stephen and the Institute of Accountants to be a "complete travesty of the recommendations of the Government Commission of 1934" (SC12, 1938: Q36).

PARLIAMENT PROROGUED: 1938

At this point, the Select Committee's deliberations were ended by the imminent prorogation of Parliament at the end of the 1938 session. The Chairman of the Committee was obliged to report on 19 September to the House of Assembly that this event, and the short time allowed to the Committee to conduct its investigation, had made it impossible "to complete a full and comprehensive enquiry into the subject of the Accountancy Bill referred to it" (SC12, 1938: Q1). Accordingly, the Committee submitted the evidence it had gathered and recommended it be discharged at the end of the current session of Parliament and reappointed at the next session to complete the enquiry and submit an amended Bill. Before the session ended, the Committee suggested that the proponents and opponents of the Bill meet in the interim period to reach agreement (SC8, 1939, Appendix B: ii). This had been tried, in 1924–5 with the Accountants Bill, with no success.

THE 1939 PARLIAMENTARY SESSION

At the beginning of the 1939 session of Parliament in February, Pocock moved that the Accountancy Bill be proceeded with at the stage it had been left in September 1938. The House agreed to this (USA, HA Debates, Vol. 33, 7/2/1939: 42) and on 9 February the Speaker declared that the Committee on Standing Rules and Orders had confirmed the same membership as for the earlier Select Committee (USA, HA Debates Vol. 33, 9/2/1939: 129).

THE 1939 SELECT COMMITTEE

The 1939 Select Committee on the Subject of Accountancy Bill met on seven occasions between 13 February and 30 March. The Committee interviewed no one but accepted more written evidence from a variety of sources. Some of it, like the Transvaal Society's submission of 8 March, had the potential for creating more problems rather than solving them. The Transvaal proposed that overseas firms of accountants be prohibited from practising in the Union (SC8, 1939: Q8). This Society, on occasion, proved obstructive. Before the Select Committee of 1938, Galbraith alluded to the fact that, at the May 1936 conference with the Institute of Accountants, agreement had been reached with support from three of the Four Societies. Horne, the Secretary of the Natal Society of Accountants, pointed out that the Transvaal had been the dissenting Society at that conference but that it accounted for one half of the total membership of the Four

Societies. Thus, the others believed it necessary to "bow to the superior numbers of the Transvaal Society" (SC12, 1938: Q31).

HORNE'S LETTER

A written submission to the 1939 Select Committee was made on behalf of the Four Societies by Horne, the Secretary of the Natal Society of Accountants and dated 25 January 1939. In it, he reported on a further meeting on 30 November 1938 between representatives of the Four Societies and those opposing the Bill, namely the Institute of Accountants of South Africa, the Corporation of Accountants and the London Association of Certified Accountants (SC8, 1939, Appendix B: i).

It is clear from a scrutiny of the 1938 and 1939 minutes of the Select Committee that Parliament required a large compromise solution to the question of a unified accountancy profession. It is also clear that some of those in the Societies, particularly those in the Transvaal Society, hoped for an arrangement which suited their interests the best. In this environment, compromise was difficult and this is confirmed by the opening statement in Horne's letter: "it had hitherto been felt that a conference between the Societies and the opposing bodies would be fruitless because the whole basis of the demands of the opposing bodies was such that they would not be acceptable to the Societies" (SC8, 1939, Appendix B: ii). He pointed out that whatever the outcome of that meeting, the Societies' representatives believed its results would be helpful to the Select Committee in its deliberations.

Horne's letter detailed that the Societies could not support the "wholesale admission" to the Societies of their opponents' members as this would affect "the rights and interests of the profession as constituted under the registration laws of the Transvaal and Natal" (SC8, 1939, Appendix B: iii). Some points had already been conceded by the Societies, such as doing away with the proposed compulsory registration with a Society of those who, in the future, qualified for admission to the register. Other points were dismissed as spurious, such as the beliefs that the Societies wished "to extinguish the opposing bodies" (SC8, 1939, Appendix B: iii) or that the designation "chartered accountant" was to become the only one in use in South Africa.

CONCESSIONS

Horne's letter detailed the areas where the Societies were prepared to consider concessions; these being in the:

(a) provision for members of the opposing bodies to take articled clerks;
(b) reduction of the period of nine years' practical experience required by Section 29 of Pocock's Bill (AB, 1938: 12) for registered accountants to qualify for admission to a Society together with the elimination of the need to take the intermediate examination;
(c) consideration of a common fee payable by both chartered accountants and registered accountants.

While the concessions were minimal, the members of the opposing bodies agreed to discuss these matters subject to two stipulations:

(i) all their members needed to be benefited equally by an agreement; and
(ii) all their existing members needed to be admitted to the Societies either by passing a modified examination or by completing a period of practice (SC8, 1939, Appendix B: v).

In his submission to the Select Committee, Horne recorded that the Societies could not agree to the above stipulations for a number of reasons, the main one being the hoary perennial – that it would be unfair to those members of the Societies who had entered them by means of the stipulated route – that is: articles and examination. It would also infringe the legal rights of the two Societies established by statute – Natal and the Transvaal. Indeed, it would lead to the condonation of the activities of the opposing societies' members who had practised in these two provinces in breach of the law which restricted such activities to the members of the two Provincial Societies.

Horne pointed out that the proposed Bill at Section 11 (AB, 1938: 5) allowed qualified members of their opponents' societies to register with the new board and to practise as registered accountants and auditors. Finally, Horne pointed out that the sudden admission of unqualified people into the South African Societies would harm the

position of its existing members in their competition with qualified members of overseas Societies whose status had remained undiluted.

In response, representatives of the opposing societies pointed out that "they did not covet the designation of the Societies" (SC8, 1939, Appendix B: vi), but as the Bill only recognised the Four Societies, their opponents believed they could only achieve "the protection to which they felt they were entitled by becoming members of the Societies" (SC8, 1939, Appendix B: vi). If the Bill was changed to give this protection, the opposing societies would drop entry for their members to the Four Societies as a condition.

Horne declared that, after much debate, agreement was not achieved. This was reported to the Select Committee together with the Societies' support of the Bill, subject to the minor changes they had suggested at the Committee meeting of 19 September 1938 ("The 19 September changes").

STEPHEN'S LETTER

A copy of Horne's letter of 25 January 1939 was made available to Stephen in his position as representative of the opposing parties. Stephen's response to this letter to the Select Committee was dated 3 March 1939 and it was not encouraging. He pointed out that it had been agreed at the beginning of the meeting that everything discussed at the meeting would "not be used in any way by either side for the purpose of furthering its claims or with the object of affecting the findings of the Select Committee" (SC8, 1939, Appendix C: viii). As a result of this agreement, the opposing bodies believed that both sides were "honour bound to treat the whole of the negotiations and proceedings, in so far as they [related] to the merits of the case as entirely confidential" (SC8, 1939, Appendix C: viii). Stephen then provided an analysis of the Societies' Report of 25 January to the Select Committee and detailed items in that Report where he believed confidentiality had been breached. He contended that the Committee should ignore certain sections of the Report as they were in the "nature of propaganda in support of the Societies' claims" (SC8, 1939, Appendix C: ix).

Stephen added that the Societies' Report was not a complete record but neither would this be provided by the opposing bodies as this would compromise their undertaking to

the agreement. The fact that the agreement had been fatally compromised seems to have by-passed Stephen, or possibly – and more likely – he was using the agreement to generate uncertainty for he contended there had been a broad acceptance "for the maintenance of the *status quo* of all the existing bodies of organised accountants represented at the meeting" (SC8, 1939, Appendix C: ix) as a broad basis for the amendment of the Bill.

Stephen then listed the points of agreement he believed had been achieved between the two groups of accountants, the most important being the:

1. admission to the register of all members of the three non-chartered societies – the Institute of Accountants, the Corporation of Accountants and the London Association of Certified Accountants – who lived in South Africa;

2. proportional representation of the three non-chartered societies on the Provisional and Accountancy Boards;

3. allowance of all members to employ articled clerks "with the permission of the local chartered society, with right of appeal to the Accountancy Board" (SC8, 1939, Appendix C: x);

4. elimination of the intermediate examination for members together with a reduction in their practical experience from nine to six years;

5. recognition that only the Accountancy Board could remove individuals from the register;

6. the recognition of the continuity of the three non-chartered societies after the registration process (SC8, 1939, Appendix C: ix–x).

Stephen qualified the admission of the members of the societies be represented by saying they did not want "wholesale admission" to the chartered Societies, but rather gradual admission, the result of which process he acknowledged "would be to secure finality in the profession" (SC8, 1939, Appendix C: x). It was clear that if the Bill

passed as it was, then its opponents would be split in two groups – practising and non-practising members – with the former being admitted to the register. Eventually, their numbers would dwindle away as the Bill would prevent that supply of new members to the opposing societies needed for their continued existence. It was equally clear that the chartered Societies would continue to exist beyond the register.

Stephen took exception to the contention that members of the Societies possessed qualifications superior to those of the opposing bodies, and pointed out that it was a known fact that many of the Societies' members had not qualified by examination or articles. In conclusion, Stephen stated that while no complete agreement had been made, he believed – incredibly – most contentious issues had been resolved, leaving the "student difficulty alone [as standing] in the way of a settlement" (SC8, 1939, Appendix C: xii). This student issue arose as the opponents to Pocock's Bill pointed out that no mention was made of registered students who were being trained in South Africa and the fact that not all such students were articled clerks. The Bill at Section 21 (AB, 1938: 10) made it very clear that the successful completion of articles was a necessary future prerequisite for admission to the register as a registered accountant and auditor. As the Bill stood, the opposing bodies thus reaffirmed their opposition to it.

As the representative of the Societies, Horne was given a copy of Stephen's letter. His response dated 8 March 1939 was short – no acceptable plan resulted from the meeting between the opposing bodies and the Societies, despite Stephen's belief. Horne concluded: "No indication was given nor was it intended to be understood that the points discussed were acceptable to the delegates of the Societies" (SC8, 1939, Schedule E: xv).

CHANCERS: THE ASSOCIATION OF INTERNATIONAL ACCOUNTANTS

An *impasse* had resulted again and into it another contender appeared – the Association of International Accountants, London. While acknowledging that they were of "comparatively recent formation", this body announced its support for the opponents of the Bill and demanded equal treatment with them in "any legislation affecting accountants in South Africa" (SC8, 1939, Appendix D: xiii). This Association based its claim upon a membership of 139 accountants in South Africa and an admission process which included examinations, and enjoyed "a considerable status in [England] as an

examining body of repute" (SC8, 1939, Appendix D: xiii). As an inducement, this Association offered a reciprocal concession whereby qualified South African accountants could have their South African membership recognised for the purpose of practising in England, subject to their passing examination on English law and income tax. It is unlikely their application was taken seriously at this late stage of proceedings, given the Committee had first met on 12 August 1938.

The Select Committee of 1939 accepted written evidence but called no one to be interviewed. While it was clear that no immediate resolution of the differences between the Societies and the opposing bodies was possible, the Committee, at its meeting on 8 March, resolved nevertheless that legislation was necessary "to provide for the registration, qualification, designation and control of accountants" (SC8, 1939: viii). Thus, the Bill needed to be completed and presented to the House of Assembly. This task was completed in five further meetings in the period 15–30 March, but the Proceedings of the Select Committee record no actual details of the exact nature of the changes to the Bill made by it in response to the evidence put forward. However, it is a fair assumption that, based upon the tone of the previous Select Committee in 1938, any revisions to Pocock's Bill would favour the chartered Societies rather than the opposing bodies. This, too, had been the attitude apparent in the recommendations made by the Accountancy Commission of 1934. In this, however, it was commonly accepted that the Societies were good at what they did.

The Select Committee's last meeting was on 30 March, where it was agreed that the Chairman would report the amended Bill to the House of Assembly. This was done without delay on the same day. The Bill was read a first time with a second reading set for 14 April.

It had become obvious during the course of the proceedings of the Select Committee of 1938 and 1939 that the Coalition Government of Smuts and Hertzog wanted a compromise Accountancy Bill which met the needs and desires of accountants defined in the broadest sense. Not only was this politically desirable but it also made good sense in that the rancour that had built up since 1913 would be dissipated, allowing the profession to forge ahead without the baggage of a contentious past.

Another set of facts was also apparent. The Select Committee's timing was poor – not that it had any control over external events. The first Select Committee's report in September 1938 coincided with the Sudetenland crisis in Central Europe which had resulted in the Munich Conference between the British Prime Minister, Neville Chamberlain, and the German dictator, Adolf Hitler. The Committee's second report was dated March 1939, and coincided with Germany's unprovoked and unilateral takeover of what remained of Czechoslovakia by its declaration of a German Protectorate over Bohemia and Moravia.

Both events overshadowed Parliament's concern about the Accountancy Bill and, indeed, by August 1939, it was apparent that a war in Europe would split the Fusion Government. This indeed happened early in September when the House voted for war but a national crisis was averted when the Governor-General refused to dissolve Parliament, accepted Hertzog's resignation and asked Smuts to form a Government. Parliament's activities continued, but South Africa's attention was drawn elsewhere and Pocock's Bill began to fade into the background.

FIRST AND SECOND READINGS

Pocock introduced his Accountancy Bill for its final reading on 23 January 1940 with a second reading on 2 February. At the latter reading Pocock, gave a brief history of the process since 1913 as well as an overview of the Bill. Two points are of interest.

Firstly, Pocock stated he had been asked to introduce the Bill developed by the Accounting Commission of 1934 because "the Minister of Finance felt that it would not be right for the Government to introduce a Bill" (USA, HA Debates, Vol. 37, 2/2/1940: 798). There is no detail as to what was not "right" – possibly the alienation of an influential segment of the electorate. And secondly, he revealed that strong opposition to the Bill had been exhibited by "certain outside societies [that] were not recognised Societies in the Union of South Africa in the same form and degree as the chartered societies" (USA, HA Debates, Vol. 37, 2/2/1940: 798). It is possible that the Government was wary of this opposition and was using Pocock's Bill as a stalking horse to gauge the strength of that opposition. It was also a way in which to avoid antagonising potential voters. The General Election of May 1938 had seen the emergence of a strong United Party with 111 seats out of a total of 150 seats

(Breitenbach *et al.*, 1974: 360) and the final relegation of the Labour Party to the side-lines of politics with just three seats. It had won eight seats in the 1929 election and four in 1933. At its zenith, in 1924, the Labour Party had held 17 seats, and as a result of its Pact with the Nationalists, had an impact beyond its numbers in Parliament. For the proponents of the Accountancy Bill, this meant the character of its opposition had changed from members and outright opponents like Hay, Rayburn and Waterston to a new generation of Parliamentarians who were not necessarily in total opposition to the Bill but were concerned at the divisions the issue created. Hooper, the Dominion Party member for Durban (Berea), put the issue in a nutshell when he stated,

> "it is not an agreed measure, and … every possible step has not been taken to secure an agreed measure. I think we are dealing with the rights of a large number of individuals, and when we are doing that we should walk very warily. We have in two of our provinces in the accountancy profession a privileged class and we must agree that it is desirable that all should be placed on the same footing" (USA, HA Debates, Vol. 37, 2/2/1940: 802).

In an oblique reference to the war, Hooper lamented that the Bill had been brought forward when all were "so pre-occupied with other important issues" (USA, HA Debates, Vol. 37, 2/2/1940: 803).

Pocock was of the opinion that whatever rights practising accountants had at the date of the Bill's passage would be retained by them and that the changes would only apply to future applicants (USA, HA Debates, Vol. 37, 2/2/1940: 800). With reference to the economy, he pointed out:

> "We have tried to strengthen the position of accountants which will prove of great value in carrying out the commercial laws of this country [and] … with a full knowledge of these laws to deal with the many practical difficulties which are daily encountered in business" (USA, HA Debates, Vol. 37, 2/2/1940: 801).

Pocock summarised one of the main points of the Bill as the registration of all practising accountants in the Union, whether chartered or not, subject to the conditions set out in Section 11 of the Bill. This Section required either membership of one of the

South African Chartered Societies or proof of *bona fide* activity as a practising public accountant with a valid licence. Other points included the following.

- Accountants – other than members of the Chartered Societies – would be restricted to practising in their province of permanent residence. This effectively closed off Natal and the Transvaal.
- A provisional board of three – one each representing the Chartered Societies, the non-chartered societies, and the Minister's nominee – would initiate and control the registration process and then hand the resulting structure to an appointed accountancy board.
- This latter board would control the profession, the holding of examinations and disciplinary matters.
- By-laws would need to be approved by the Minister of Finance who would also appoint an independent member of the permanent board.
- Other appointees would comprise two representing the University of South Africa and one from each of the four Chartered Societies. (The latter allocation is questionable as Pocock stated "the Accountancy Board will consist of four representatives", presumably in total, otherwise the Societies would dominate the Board (USA, HA Debates, Vol. 37, 2/2/1940: 799).)

The Bill addressed the issue of articled clerks, restricting their service in future to chartered accountants. Those currently in the service of non-chartered accountants would be permitted to complete articles and write the necessary qualifying examinations. In terms of Section 28 of the Bill, those accountants who had never completed articles but had nine years' practical experience in the office of a practising accountant could, upon the successful completion of the qualifying examination, gain admission to a Chartered Society.

In terms of Section 35, those applicants who believed a hardship had been inflicted upon them, would have the right of appeal to the Provincial Division of the Supreme Court, a standard inclusion since the 1913 Bill and a cumbersome one. Section 36 dealt with offences while Section 37 dealt with unprofessional conduct. Of interest is the fact

that they were dealt with separately in the Bill (USA, HA Debates, Vol. 37, 2/2/1940: 800).

Pocock commented at the end:

> "I want to emphasise in this brief review of the Bill that I have been particularly careful to see that whatever rights persons at present practising have, that those rights are preserved with this qualification that in future only those accountants who are members of chartered societies will be able to take on articled clerks" (USA, HA Debates, Vol. 37, 2/2/1940: 801).

THE HOUSE-IN-COMMITTEE

The Bill passed the second reading and was scheduled to go before the House-in-Committee on 9 February.

In the end, the House went into Committee on 23 February and began the long and arduous process of considering the detail carefully and amending the Bill as appropriate. The Committee agreed, for example, to allow all registered auditors the right to employ articled clerks (USA, HA Debates, Vol. 37, 23/2/1940: 2169) and allowed the Minister of Finance greater freedom of choice in the appointment of his nominee to the provincial board (USA, HA Debates, Vol. 37, 22/2/1940: 2170). On the issue of registration of non-practising members of the Institute of Accountants of South Africa, proposed by Hooper (USA, HA Debates, Vol. 37, 23/2/1940: 2172), who held salaried posts and might never practice but should not be deprived, the process stalled. Shortly before this, Pocock had proposed to permit registration for all practising public accountants in the Cape and the Orange Free State prior to 1 January 1940 – who were in such practice prior to 1 January 1939 and in possession of an accountant's licence. Hooper's proposal infringed the process in two ways – it ignored the established principle that the test of membership was public practice (USA, HA Debates, Vol. 37, 23/2/1940: 2173) and it gave preferential treatment to one group.

Hooper pointed out that the concession would not be "a very important thing" as those benefitting from it would not acquire the designation as a result (USA, HA Debates, Vol. 37, 23/1/1940: 2176). To this, Pocock responded that the concession would open

"the door too wide" as it would need to be applied to all the members of the societies in opposition, including those not in actual practice, but who were merely working in an accountant's office. Such a flood would make the Bill unworkable (USA, HA Debates, Vol. 37, 23/2/1940: 2177). The debate thereafter lost cohesion as old arguments were rehashed. Haywood, Nationalist Party member for Bloemfontein (South), warned Pocock that vested rights were being interfered with and should he not accept the amendment, he would "not get the Bill passed, for we shall then be compelled to put forward other amendments and fight him". The Institute of Accountants had 130 members (USA, HA Debates, Vol. 37, 23/2/1940: 2181).

Davis, United Party member for Pretoria (City), pointed out that the main difference between the Chartered Societies and the Institute of Accountants of South Africa was that the former insisted upon a period of articles as a prerequisite for qualification (USA, HA Debates, Vol. 37, 23/2/1940: 8121). He believed that members of the Institute whose rights were recognised by the Bill could "consider themselves extremely fortunate, because, in fact, they are only qualified bookkeepers" (USA, HA Debates, Vol. 37, 23/2/1940: 2182). He continued by saying that if the Bill did more than recognise practising members of the Institute as public accountants, the object of the Bill to place the profession on as sound a basis as in the Transvaal, Natal and "England" [*sic*] would be nullified.

Warren, National Party member for Swellendam, agreed and added that those accountants who opposed the Bill harmed "their own profession and prevented it from obtaining a higher status in society because some of them are not allowed to use that title" (USA, HA Debates, Vol. 37, 23/2/1940: 2183).

The Minister of Finance, NC Havenga, entered the debate and appealed to members of the House to be guided by the recommendations of the 1934 Commission and the Select Committee. In his opinion, the Bill did justice to all interests and provided that "we no longer allow the public being exposed to the danger and risk of accountants and auditors who are not properly qualified" (USA, HA Debates, Vol. 37, 23/2/1940: 2185). This was a clear confirmation of Government interest.

This appeal was ignored by Serfontein, Nationalist Party member for Boshof, who feared a monopoly was being perpetrated, and by Van Nierop, National Party member for Mossel Bay, who believed the Institute's members were – at worst – being deliberately excluded, (USA, HA Debates, Vol. 37, 23/2/1940: 2187) or – at best – being subjected to a system with "classes of people with different status and different benefits" (USA, HA Debates, Vol. 37, 23/2/1940: 2192). He proposed that, under the circumstances, the Minister should introduce the Bill "so that the House can go into the whole question" (USA, HA Debates, Vol. 37, 23/2/1940: 2192).

The debate drew to a close and the House focused upon voting Hooper's original amendment which was defeated by 33 votes to 24. Apart from Hooper, who understandably voted in favour, his amendment was supported by Van Nierop and Serfontein. Those in opposition included Havenga and JH Hofmeyr, United Party member for Johannesburg (North). An analysis of the votes reveals that those in support of the amendment comprised 11 members of the National Party, three from the Dominion Party and 10 from the United Party, 24 in total. Those in opposition to the amendment, numbered: one member of the Nationalist Party, Warren; two Native Representatives, Hemming and Molteno; two members of the Dominion Party; and 28 from the United Party – 33 in total (USA, HA Debates, Vol. 37, 23/2/1940: 2194). There was thus significant Government support for the Bill as 25% of the United Party's parliamentary membership of 111 supported Pocock.

The process continued but, as it was getting late, members were leaving the House. This reduced the opposition's ability to push its amendments. However, a plea by Hemming, the Native Representative for the Transkei, to limit the number of articled clerks employed to three per registered accountant was not agreed to by Pocock. While Hemming was concerned about the exploitation of clerks by employers expecting too much of them, Pocock reasoned that a limitation of numbers of articled clerks would cause problems for employers and articles afforded training opportunities (USA, HA Debates, Vol. 37, 23/2/1940: 2199). Skilled people were important to the economy.

Hemming's proposal was supported by both Van Nierop and Marwick, Dominion Party member for Illovo (USA, HA Debates, Vol. 37, 23/2/1940: 2204). Pocock agreed that

the House should decide and it agreed to Hemming's proposed amendment to permit registered accountants to have only three articled clerks at any time.

Geldenhuys, Nationalist Party member for Prieska, brought up the issue of bilingualism in the examination process and the fact that candidates were required to request the paper in the language of their choice. These were sensitive issues in 1940 as the War had divided the White population. He stated, "we want equality in every respect. This is not a question of obstruction, but a great principle is at stake" (USA, HA Debates, Vol. 37, 23/2/1940: 2201). Pocock stated he supported the practical idea of different venues for the two languages, but that expecting each candidate to answer in both languages was problematic. He asked that this aspect of the Bill be accepted and if there were problems, to have them "put right at a future stage" (USA, HA Debates, Vol. 37, 23/2/1940: 2202). Booysen, Nationalist Party member for Namaqualand, took exception and called it "a definite evasion of bilingualism" and stated that if "the position were the other way round, and it should be laid down that everything had to be put in Afrikaans – what a noise we would hear from members opposite [who] are abusing our tolerance more and more. The question of equal language rights is at stake here" (USA, HA Debates, Vol. 37, 23/2/1940: 2203).

Van Nierop supported Geldenhuys' amendment and commented that everyone needed to be encouraged to be bilingual. Pocock responded by saying the House needed to decide, while Trollip, the United Party member for Brakpan, suggested all examination papers should be set in both official languages (USA, HA Debates, Vol. 37, 23/2/1940: 2206). Geldenhuys was appreciative of both Trollip and Pocock's positive response but wondered whether Trollip's proposal "will really meet the point I am endeavouring to bring before the House". Nevertheless, he was prepared to accept the amendment if Pocock would agree to a revision being considered at the report stage if necessary. Pocock agreed (USA, HA Debates, Vol. 37, 23/2/1940: 2207).

Thereafter the Chair reported progress and requested the House's permission to sit again. This was agreed to and the House was scheduled to resume in Committee on 1 March. It never did and after Parliament was prorogued on 14 May 1940, the Accountancy Bill was dropped as the country began to organise for a major war. On 1 March 1940, for example, the House was concerned with petrol prices and possible

petrol rationing due to "the loss at sea of certain tankers" (USA, HA Debates, Vol. 37, 23/2/1940: 2605). During a debate on security issues the day before, Dr DF Malan, leader of the official opposition in Parliament, accused Smuts of being an admirer of Hitler's. Smuts replied the House was full of such people who wanted "the Nazi system adopted" in the Union. Smuts anticipated the security measures proposed would "contribute to our preserving the rights of self-government and parliamentary government" (USA, HA Debates, Vol. 37, 28/2/1940: 2603). Only in 1945 would the issue of a united profession be reconsidered and reenergised, and the catalyst, again, was the Four Societies (Puttick and Van Esch, 2007: 5).

Pocock's Bill was important for two main reasons; firstly, its draughtsmanship showed a modernity more akin to the 1951 Act than the Bill of 1913 and indicated the distance the profession had travelled. In other respects, such as restrictions on admissions criteria, the thinking of 1913 remained. And secondly, the principle finally had been established by Havenga – one-time Cabinet Minister – of the need for the conferencing of interested parties to achieve compromise and a broad consensus behind any Bill. No longer would the chartered societies call the tune.

The next round would be orchestrated by the National Government which after nearly 26 years of uncertainty as to the extent that they should play in the process, finally took charge. Certain features in this period of uncertainty were common to all stages; for example, articles of clerkship served under an experienced practitioner were found to be a constant. While some criticised the practice of articles as being "cheap labour", the reality was that the practice had value in training accountants. This was true in 1913 and remains true in 2013 where articled clerks are known as trainee accountants.

CONCLUSION

Pocock's Bill of 1938–40 failed for the reasons applicable to its predecessors – that is: lack of support at the centre. However, in Pocock's case, there was one unusual element – South Africa's entry into World War II in September 1939.

Once the fighting stopped, a new political power emerged in South Africa with both the will and ability to force through the creation of a Public Accountants' and Auditors' Board to oversee accountants in public practice.

Verhoef (2011: 28) proffers the following quote from Government correspondence in support:

> "the Treasury wishes to announce that it had been decided that a Bill should be introduced into Parliament in the near future to provide for the registration, qualification, designation and control of Accountants and Auditors and for related matters".

This directive reflects the determination on the part of the new Nationalist government to resolve the issue of accountants and their registration once and for all through the sheer force of their political will.

CHAPTER 13: EPILOGUE AGAIN

- Introduction
- Havenga and the Public Accountants' and Auditors' Board
- Reportable Irregularity: A Tool for Institutional Economics?
    - Table 13.1: Material Irregularities, 1953–75
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CHAPTER 13: EPILOGUE AGAIN

INTRODUCTION

This detailed study of the origins of the Public Accountants and Auditors' Board (PAAB) ends in February 1940 with Pocock's Accountancy Bill still before Parliament. The *blitzkrieg* that the Germans unleashed on Europe in May 1940 introduced their opponents to total war and in the hurly-burly of the South African response, the Bill and the issues it represented were relegated to the background until an allied victory was achieved in 1945. In that year, the four South African chartered societies came together in a conference to consider the future of the profession and established the Joint Council of the Societies of Chartered Accountants of South Africa (Lockley, 2001: 7). This action represented the first step in a new process which would end in June 1951 with the enactment of the Public Accountants and Auditors Act with 1 November 1951 set as the implementation date (Lockley, 2001: 7).

How this was achieved is not within the scope of this thesis, but Puttick and Van Esch (2007: 6) suggest the Nationalist Government of the day forcibly intervened to achieve the desired and long delayed result of statutory uniformity within the profession – some 38 years after the Accountants Bill of 1913 was introduced. Verhoef's (2011: 29) recent research has supported this point of view.

The purpose of this epilogue is to consider whether the early functioning of the PAAB met its professional expectations, and to determine whether the questions asked in Chapter 1 have been answered. Also, concluding remarks will give a brief overview of what has emerged from this study. In particular, consideration will be given to the peculiar political and economic circumstances in South Africa which prolonged the creation of a professional society.

HAVENGA AND THE PUBLIC ACCOUNTANTS AND AUDITORS' BOARD

The tasks expected of the new Board were couched in two types of language: the dry legalese of the 1951 Act; and the more elegant prose spoken by the then Minister of Finance, HC Havenga, at the Board's inaugural meeting on 25 October 1951. Havenga had first served in this capacity in the Pact Government of 1924 and also in the Fusion Cabinet of 1933, resigning in 1940. He had been an instrumental force behind the

Accountancy Commission of 1934, Pocock's Bill of 1938 and the process after 1945, and was one of a small group of people who still had first-hand knowledge and experience of the miscarried South African Society of Accountants (Private) Bill of 1924–5.

At this point, it is appropriate to reflect briefly upon the life and career of Nicolaas Christiaan Havenga, born in 1882. He was in his early forties when the second Accountants Bill failed in Parliament in 1924–5. His credentials to that point were impressive. He had served with distinction in the Boer forces in the Anglo-Boer War and seemingly bore no animosity to English-speaking South Africans. He soon became enamoured with Hertzog's idea of "South Africa First" (Dictionary of South African Biography, 1981: 216) and remained true to the man and the ideology he espoused until the 1940s when, with reluctance, he transferred his support to Malan and the Purified Nationalists (Davenport, 1987: 317–8). Both Hertzog and Malan entrusted him with the key portfolio of Finance and, in the Pact Government, Havenga was instrumental in providing the financial environment which encouraged South Africa's industrialisation. With the onset of the Great Depression, he navigated the economy through the *maelström* – even though it meant eventually shedding the Gold Standard.

Towards the end of the Depression, coalition with Smuts and the SAP seemed a political necessity and Havenga became a key negotiator between Hertzog and Smuts. When coalition moved to Fusion and the United Party, Havenga retained the position of Minister of Finance and again was instrumental in maintaining a sound economy towards the end of the 1930s (Dictionary of South African Biography, 1981: 218). When the United Party split over the issue of neutrality in World War II, Havenga followed Hertzog into the political wilderness. With Hertzog's death, Havenga saw the only way to beat Smuts was through a united Afrikanerdom. After considerable in-fighting, Malan's *Herenigde Nasionale Party* emerged the victor, both internally within *Die Volk* (Afrikanerdom), and externally against the United Party in the 1948 election. Havenga was once again in the familiar role of Minister of Finance. His economic direction was sound and earned him international approval (Dictionary of South African Biography, 1981: 220–1).

It was Havenga, in his last incarnation as Minister of Finance, who finally resolved the thorny issue of Accountants' Registration in the 1951 Act. It had been a long journey since 1924.

The Act established the Board as a body corporate and empowered it to perform all acts necessary to carry out its duties as specified in the Act (Statutes). These duties included registration of members, regulation of the system of articles of clerkship, the conduct of examinations for admission to the register and a general oversight of the profession and its professional behaviour.

REPORTABLE IRREGULARITY: A TOOL FOR INSTITUTIONAL ECONOMICS?

It was left to Havenga to vocalise the Board's social and economic context when he pointed out that the enactment represented Parliament's "recognition of the principle that an auditor owes a duty not only to his client but also to the public" (Manual of Information, 1991: 1–3). He then referred to the mechanism in the Act at Section 26(3) by which it was hoped this goal would be achieved and stated:

> "Although it is not claimed that the provisions of this sub-section will give complete protection to the interests and local and overseas investors, advantages as yet unseen will undoubtedly accrue from the recognition of the principle embodied in that sub-section. It provides, namely, that the auditor should, if his client fails to satisfy him, report material irregularities to a statutory body, the Public Accountants' and Auditors' Board" (Manual of Information, 1991: 1–3).

The reality was different and a failure in the Act to define "material irregularity" or the steps needed to resolve it to the satisfaction of the Board rendered it the subject of numerous legal interpretations over the years. An unreferenced file entitled "Material Irregularity Opinions" accessed with permission in the PAAB offices on 22 April 2005, listed 15 legal opinions obtained in the period 11 August 1958 – 19 December 2003 on various aspects of a "material irregularity". It is of interest to note that no such section was included in the Australian Charter nor New Zealand Act.

In the debates surrounding the 1951 Act, considerable unease was expressed about the consequences of Section 26(3). As Verhoef notes, "The argument was that Section

26(3) infringed on the professional conduct and confidentiality between the professional auditor and the client" (Verhoef, 2011: 38).

As detailed in Chapter 1, the transformation of "material irregularity" into "reportable irregularity" in the Auditing Profession Act of 2006, resulted in similar concerns being expressed. *Plus ça change, plus c'est la même chose.*

In addition, a vigorous debate was, on occasion, carried on through the pages of the profession's journal, *The South African Chartered Accountant*. In the December 1963 issue, Advocate PMA Hunt, a Senior Lecturer in Law at the University of the Witwatersrand, posed the question: "Material Irregularities: Watchdog or Witchdoctor?". He came to the conclusion that the state imposed onerous duties upon auditors which would be appropriate if they were full-time, paid civil servants and that the phrase "material irregularity" should be replaced with "any infringement of statutory or common law".

Given this uncertainty, it was not unusual for practitioners to approach the PAAB for assistance. At a Board meeting on 10 August 1954, the Chair alluded to this practice as well as the Executive Committee's response that it was not the function of the Board to assist practitioners in the conduct of their practices by advising them whether, in given circumstances, a material irregularity had occurred or not" (PAAB Archives, Board Vol. 2: B230). A debate then ensued and it was pointed out that the PAAB was "not acting in a judicial capacity in these cases. It was merely the vehicle for the transmission of cases to the Attorney-General, who decided if a prosecution was warranted". Another point of view was that as it was one of the Board's duties to raise the standard of the profession in the Union, practitioners should be given guidance as to what constituted "sound accounting practice" (B230). The Chair cautioned that in giving such advice, the Board would be obliged to interpret "material irregularity". Professor Steenkamp, a member of the Board, was of the belief that legal opinions would "not be very helpful" as they dealt with legal aspects when the issue was "largely an accounting issue" (PAAB Archives, Board Vol. 2: B231).

The Board agreed not to seek a legal opinion. In due course, the Board would not only seek legal advice on numerous occasions but also issue a series of circulars for the

information of practitioners dealing with a very specific irregularity arising from a situation where a client was trading in a situation where its liabilities exceeded its assets. In this situation, creditors were clearly at risk. The practitioner's responsibilities were detailed in circulars B3/1967, B1/1968 and B2/1975, which were all withdrawn to allow for the introduction of B1/1991 (Manual of Information, 1991: G General Circulars). Circulars B1/1982, B3/1982, B2/1984 and B2/1987 were all withdrawn with the introduction of Circular B3/1991. These former dealt with various aspects of material irregularities.

From this brief overview, it is apparent that the concept of "material irregularity" proved troublesome to apply. In an unpublished 1976 Randse Afrikaanse Universiteit thesis, the author, FJ Vermaak, worked out that in the period 1953–75, a total of 1146 instances of material irregularity were reported to the PAAB. He classified them as follows.

TABLE 13.1

MATERIAL IRREGULARITIES, 1953–75

[translated from the original Afrikaans – see Appendix 6.]

		Total instances
Withdrawn by auditors at a later date		3
Shareholders prosecuted the director in a civil suit		1
Satisfactorily rectified at a later date, before or after action taken by an authority to whom the incident was referred by the Board		37
Found by the Board or the authority delegated by the Board, that the incident definitely did not comprise a material irregularity		12
No action taken to prosecute		624

Companies deregistered		124
Various authorities refused to take action		13
Attorney-General chose not to prosecute		
- no reason given	105	
- could not trace the guilty parties	8	
- insufficient evidence for successful prosecution	6	
- could not take action before the company was placed under judicial management	3	122
Admission of guilt paid by company managers or by the company itself		16
Prosecutions brought		64
Still being investigated		117
Unresolved		13
		1 146

Source: Vermaak, 1976: 159–60.

As indicated by the above table, no steps were taken to investigate 624 reported cases, a significant 54% of all cases detailed by Vermaak who detailed the reasons as follows.

> "In only 591 incidents, did the Board file papers and not take action, because the auditors reported that the companies carried on business while insolvent, and previous experience in this regard has shown that action could not be taken against the companies at that point.
>
> In the other 33 incidents, the companies were already under judicial management (3 incidents), in liquidation (9 incidents) or placed in liquidation later (21 incidents). It is the duty of the judicial managers and liquidators to take action in such incidents where material irregularities allegedly appeared. The

Board has consequently made sure that the relevant officials are aware of the alleged material irregularities" (Vermaak, 1976: 162–3 [translated from the original Afrikaans. See Appendix 6.]).

However, Vermaak admitted that he did not have access to all the relevant detail and that the results of his research were necessarily tentative.

While the concept of material irregularity failed, probably as a result of allowing individual auditors to decide what was "material" and "irregular" in a set of accounts, the new Accounting Profession Act (Act 26 of 2005) recognised this weakness. The solution adopted was to give auditors no choice. As soon as a transgression fitted a template of requirements given in the definition of "reportable irregularity" in the Act, the auditor had no choice but to report it immediately to the professional regulator, IRBA (APA, 2005: s45). Failure to do so exposed the auditor to a maximum sentence of 10 years (APA, 2005: s52). This was perceived to be particularly harsh by some members of the profession as convicted murderers on occasion received similar sentences. Clearly, the economy took first place. The current IRBA Annual Report for 2013 shows the following in its "Significant Feature Summary".

TABLE 13.2

REPORTABLE IRREGULARITIES, 2009–13

Reportable Irregularities (RIs) received	**2013**	**2012**	**2011**	**2010**	**2009**
Total RIs received (first reports)	710	814	806	1108	1125
Second reports – continuing	459	491	468	674	669
Second reports – not continuing	247	312	328	340	407
Second reports – did not exist	3	11	7	11	22
Second reports – other	1	0	3	83	27

From a review of the information given, reportable irregularities have declined in the last five years from 1125 reported cases to 710 – a decrease of nearly 63%. This would also suggest that one element of institutional economics is at play here. Instead of the

organisation (auditing firms) influencing the representative body (Parliament), the reverse has in fact happened. By conceiving of and implementing the concept of "reportable irregularities", Parliament has enhanced its authority as well as its ability to directly influence the profession. This is important: whereas pre-2005, the auditor was loath to report a client (and possible friend) and thus put his independence at risk, with the passage of the new Act, the choice became one of a friend and client or 10 years in prison. Under threat of duress, independence became enforceable.

In conclusion, as North points out, "writing history [usually means] constructing a coherent story of some facet of the human condition" (North, 1990: 131). He continues that for history writing to be good, it needs to be consistent, logical, and written within the framework of evidence deduced and theory applied. Including institutions in the story improves it.

Institutional economics is a complex of knowledge and theoretical applications which have been touched upon in this thesis. This is in keeping with the thesis' minor goal outlined in Chapter 1 of determining whether institutional economics can be applied to the creation of the regulatory body – the Public Accountants' and Auditors' Board. The evidence obtained suggests this is possible: more work needs to be done upon this topic.

EXCO – THE EXECUTIVE COMMITTEE OF THE BOARD IN OPERATION

In terms of the 1951 Act, the Board – as the *in situ* regulatory body created by Parliament – was entitled to establish committees to assist it. The general principle was that the Board could assign as much of its power as it deemed appropriate to committees, but did not divest itself of such powers and could amend or repeal any decision made by such committees; Section 6 of the 1956 Public Accountants' and Auditors' Amendment Act abolished the Board's power to amend or repeal committee decisions concerning individuals and examination passes, registration and disciplinary action.

At its meeting of 13–4 February 1952, the Board agreed to assign to a newly established Executive Committee the following powers:

1. the appointment of staff and the incurring of expenses;
2. the registration of accountants who qualified;
3. the admission to articles of clerks and the regulation of their service;
4. the investigation of the contravention of the Act by non-public accountants and auditors and the implementation of appropriate action;
5. the recovery of debt; and
6. the granting of permission to registered members to publish articles in the press under their own names.

(PAAB Archives, B22: 13–4/1/1952)

Powers 4 and 6 are interesting and reflect the two sides of the same coin: the first, to protect the fledgling body from interlopers; and the second moves towards the creation of a national profile through publications.

The question arises: why create an Executive Committee? And the answer is a straightforward matter of practicality. With a composition of six members – including the Chairman of the Board (Manual of Information, 1991: 2–7) – consensus was more easily achieved as was flexibility of meeting times. These are important criteria when one considers the original Board comprised 15 members (Act 51, 1951: 53) and was required to meet at least twice a year (Act 51, 1951: s7(1)). The fledgling Board, in the early days, met frequently. In the memorable year of 1953, there are eight meetings of the Board recorded compared to three in 1952. Some of the 1953 meetings extended over three days (PAAB Archives, Board Vol. 1: B75–B183) as the Board held some of its meetings in provincial capitals other than Johannesburg to indicate its commitment to being a Union-wide – and hence national – regulator entity.

TOPICS DISCUSSED BY THE NEW INSTITUTION

A wide range of topics were discussed, some rather trivial while others were of importance. In these early years, too, minutes were taken almost *verbatim* so while the detail is voluminous it is of such a nature that it adds colour to the early picture of the functioning of the Board.

A report to the Minister of Finance, dated 18 March 1953, detailed the Board's activities for 1952 (PAAB Archives, Board Vol. 1, Attachment to 4–5/2/1953, B75–

B92). Amongst the topics reported upon were the draft regulations prescribing what constituted unprofessional conduct, the composition of the Disciplinary Committee, the syllabus of the Board's examination and a list of more foreign societies whose status was recognised to be equal to that demanded by the profession in the Union. The societies were:

- The Institute of Chartered Accountants in England and Wales,
- The Institute of Chartered Accountants of Scotland,
- The Institute of Chartered Accountants in Ireland
- The Society of Incorporated Accountants and Auditors,
- The Association of Certified and Corporate Accountants,
- The Rhodesia Society of Accountants,
- The Institute of Chartered Accountants in Australia, and
- The American Institute of Accountants.

Of these, only the examinations of the Institutes of England and Wales, and Scotland were considered to be of a sufficiently high standard while only articled service in the Institutes of England and Wales, Scotland and Ireland was considered sufficient to support an application for exemption from service under articles in South Africa. Finally, the Board recognised the final qualifying examinations of the Institutes of England and Wales, and Scotland, and the Society of Incorporated Accountants and Auditors.

While the inclusion of the UK Chartered Societies on the status list is understandable, that of the Incorporated Accountants and Auditors as well as the Association of Certified and Corporate Accountants is only partially explained by the fact that the members of their South African branches were accorded exempt status from articles and examination in terms of Section 23(3) of the 1951 Act. The reason for this lies in the period 1946–51, when a consensus was being hammered out, and is beyond the scope of this work. In 1958, three associations of accountants party to the 1951 Act (Act 1951: 23(8)(b)) ceased to exist. They were the Association of Certified and Corporate Accountants, the Association of Practising Accountants of South Africa (formerly the American Institute of Accountants) and the three local branches of the

Society of Incorporated Accountants. Most of their practising members were absorbed into the South African Chartered Societies while the representation that they nominated to the Board fell away, reducing its membership to 14 (Lockley, 2001: 11). Their demise is probably attributable to the lack of members and the greater attractiveness of membership with the chartered societies. Of interest, too, and needing explanation, is the fact that the Institute of Accountants of South Africa did not appear on any of the above lists, despite being included in Section 23(2) of the Act of 1951. What is clear is the fact that the situation was fluid. At a meeting of the Board on 16 February 1954 (PAAB Archives, Board Vol. 1: B193–B196), a submission was considered from the Association of Certified and Corporate Accountants to have its final examination and articles of clerkship recognised by the PAAB. The Board debated the issue at length. Professor Hock, member of the Board, was of the opinion that "the type of paper and the examination paper were a better indication [of that paper's work] than of the standard of marking" (B194). He believed the Association's paper on partnership accounts to be "not of a very high standard".

AW Bennell, the Secretary of the South African Branch of the Association, was thereafter interviewed and pointed out that the Association in the United Kingdom had been the subject of a Parliamentary Select Committee in 1930 and it had concluded the Association's examinations were on a par with the England and Wales Institute. He agreed to provide the Board with details of the Association's method of marking, especially the extent to which errors of principle were penalised, together with copies of actual exam papers set over the last five years and of the syllabi prescribed. The information would be referred to the Examination for Consideration and recommendation to the Board.

At its meeting on 10 August 1954, and upon the recommendation of the Examination Committee, the Board adhered "to its previous decision to the effect that the Association's Final Examination is not considered to be up to the required standard" (PAAB Archives, Board Vol. 1: B217). The Chair declined to give reasons for the decision but agreed to provide the Association with copies of the Board's papers and syllabi so that they could determine the standard required.

Further debate ensued and a general principle was established with regard to similar requests whereby

> "in future, [if] the examinations of a particular body are accepted, they be accepted only in relation to members of that body who had passed the examinations in the papers set for those dates, the consideration of which had resulted in the Board's decision to recognise the examinations, or who had passed at subsequent diets, provided that –
>
> (a) the Board's decision shall be subject to reconsideration at any time; and
>
> (b) this resolution shall apply only in respect of the examinations of those bodies whose requests for recognition of its examinations are approved only after reconsideration of a previous decision not to recognise such examinations" (PAAB Archives, Board Vol. 1: B220).

With regard to the Association's request for recognition of service under its articles of clerkship, the Board noted the fact that the Association did not require service under articles of membership, but agreed to recognise service under articles by persons who had served them with the Association outside the Union.

In pursuit of its educational mandate, the Board made available £1 783 to the Universities of the Witwatersrand, Pretoria, Natal and Cape Town while its accumulated funds at year-end amounted to £11 971, as audited by Messrs Chas, Hewitt and Co.

The Board also dealt with extraordinary issues, such as the theft of examination scripts from a moderator's car before they had been marked. This occasioned an emergency meeting of the Board on 17 June 1953 (PAAB Archives, Board Vol. 1: B122–3). The solution arrived at reflects careful thought. Those whose marks for their other papers written in the session indicated no possibility of passing – despite the most favourable outcome of the lost script – would be failed. Those who narrowly failed the other examinations in the session would be allowed to rewrite the lost paper, and if passed, their overall position would be re-evaluated by the Board (B123). All other candidates

retained credit for other subjects passed during the session but would be required to write the lost paper at another examination session with costs met by the Board.

The first meeting of the Executive Committee was on 25 and 26 October 1951 and was chaired by its first Chairman, Kenneth Lamont Smith, Senior Partner of Deloitte, Plender, Griffiths, Annan and Co. and was given the distinction of being issued with the first Certificate of Registration (Lockley, 2001: 11). Lamont Smith was to give many years of service to the PAAB. At this first meeting, spread over two days, administrative affairs predominated – rules for the conduct of business, the type of letterhead and telegraphic address, the format of articles of clerkship forms and the remuneration and allowances payable to members of the Board and the Registration Advisory Committee – and were all discussed (PAAB Archives, Exco Vol. 1: E1–2).

In conclusion, and on the basis of an examination of the PAAB Archives, the evidence suggests strongly that:

- the PAAB quickly established itself as the accountants' regulator; and
- proved itself to be highly effective in the administration of the duties assigned to it in the Act of 1951.

CONCLUDING REMARKS

In Chapter 1, four questions were asked, namely:

- Why did it take nearly 40 years to register accountants?
- What was the impact on the process of the Companies Act of 1926 and the Chartered Accountants' Designation (Private) Act of 1927?
- How did the prevailing environment impact upon the process of the unification of the accounting profession?
- And finally, who were the "winners" and "losers" in the process to 1940?

This thesis has demonstrated that in answering one of the questions above, the answer to the remaining questions becomes more apparent, such is the integrated nature of accounting events in the period 1913–40. For example, gold on the Rand played a

significant role in causing the outbreak of the Anglo-Boer War. The Peace of 1902, and Milner's social experiment (Davenport, 1987: 222–8) in overseeing the recovery of the former Boer Republics, saw the passage of legislation such as the Transvaal Ordinance of 1904. One reason for this Ordinance was to provide for an environment of accounting rectitude against which an acceptable economic recovery could result.

The Ordinance gave statutory clout to an already powerful Transvaal Society of Accountants and thus a further advantage in any attempt in the post-Union period to unify the accounting profession. The same was also true of the Natal Society, created by the Natal legislature shortly before Union.

The political and economic environments, too, played their parts. As Verhoef (2011: 32) has shown: until 1945, governments of the day were reluctant to force any solution on the accountants. In fact, by allowing the passage of the Chartered Accountants' Designation (Private) Act of 1927, the Pact Government ensured that the new Companies Act of 1926 would be serviced by qualified accountants. These Acts were important in Hertzog's drive to industrialisation, and as this thesis has demonstrated, both Acts were passed with little opposition. But it should be noted that the designation CA(SA) for the individuals covered by the Designation Act gave them essentially what they wanted – a closed society – with very little incentive to accept unification.

As has been shown, these impediments did not exist in the New Zealand and Australian moves towards unifying their respective accounting societies.

As for the losers: the public and civil servants lost nothing. Theirs was sheltered employment and they practised a form of State accounting which was different to the Commercial accounting practised by chartered accountants. Also, the evidence suggests that civil servants wished to have an alternative form of employment in the light of Herzog's "Afrikanerisation". There is also evidence to suggest that the new Labourites in Parliament during the Pact interlude seized upon the concern of the civil servants and used it as a *cause célèbre* to embarrass their opponents.

The real losers in the period 1913–40 were the small accounting firms, with limited resources and few clients, who nevertheless managed a competent service and earned a

reasonable living. The New Zealand Act and the Australian Charter accommodated such people. With the passage of time, these smaller accounting firms passed out of the system and were replaced by those who had only known a regulated profession.

Those future South African Chartered Accountants who were born in 1951, would, in 2013, on the verge of retirement, have a vague residual knowledge of the Public Accountants' and Auditors' Act No. 51 of 1951. They would have been in their early 40s when this Act was repealed.

In Sellar and Yeatman's immortal phrase, they would probably have believed at this last stage of their lives, that the 1951 Act was, after all, "a good thing" (Sellar and Yeatman, 1930: 12). At least, it no longer regulated their professional lives. Like the eternal school boy, these accountants would, on being questioned, probably be inaccurate in their remembrance of the Act's detail. Sellar and Yeatman base their book on a parody of English history teaching which involved memorising facts in the period 1930–45, and they promise that their book contains "all the history you can remember" (1930: 4).

As Purdue (1997: 1) points out, this potentially humorous characteristic; that is: a faulty memory, and a confused interpretation of related facts, has its dark side – "It exposes the thinness of so many of the concepts and devices of historical writing".

As noted in the Introduction, North has stated that "history matters" (1990: vii). What matters as well is a reasoned and reasonable interpretation of the facts. The 1951 Act was not repealed in 1991 because it was a bad act, but because the PAAB needed to respond to new technologies, legal and economic demands, and new challenges. Similarly, the 1991 Act was superseded in 2005 by the Auditing Profession Act. While change is a constant, each of the 1951, 1991 and 2005 Acts sought to register, regulate and reinforce the auditing profession as an important element in safeguarding a swiftly moving South African economy.

In this environment, the "rules of the game" – that is: actions that need to be taken against some predetermined and widely accepted criteria – are important. As Alan J Richardson (1989) points out in his article on "Canada's Accounting Elite: 1880–

1930", professions have won privileged positions and legislative recognition for their professions – to such an extent that some have described them as "private interest governments" (Richardson, 1989: 1). A process of change brought these professions to this position. The *quid pro quo* has two elements: firstly, that these professions "serve the public interest" (1989: 1). Here Richardson argues that the idea of public interest means that individuals should have access to professional assistance. This assistance, in turn, is limited to those aspects of the profession in which the practitioner is technically competent. The highest possible standards are thus achieved. And secondly, the profession should be open to all members of society able to acquire the necessary skills. As shown in this thesis, the Four Societies were adept at applying the rules. However, the one rule they consistently opposed was that of the individual with moderate or no qualification being admitted to the accounting profession. To this end, the Four Societies withdrew support for the 1924 Bill and let it flounder. Ultimately, however, the concept of a profession open to all predominated. In the post-1945 period, Parliament focused on the plight of the "little man" and universal acceptance of those with skills. With the 1951 Act, this was achieved. The process reflected Hertzog's 1912 *cri de coeur* of "South Africa First."

Hertzog's ideas became the bedrock of the new profession. It is fitting that the ruling parties' messenger to the first meeting of the Board in 1951 was Hertzog's faithful supporter, Havenga.

APPENDIX 1:
A DESCRIPTION OF THE UNION PARLIAMENT'S PROCEDURES, TAKEN LARGELY FROM KILPIN'S *PARLIAMENTARY PROCEDURES* (1946)

The passage of a private bill through the South African Parliament in the early to mid-20th Century (see Appendix 2) was detailed in a set of clear, if sometimes tedious, procedures which began with drafting the contents of the Bill. This initial step needed unambiguous language so that the intentions of the Bill's promoters were understood not only by Parliament which had to pass the Bill, but also by those to be subject to it, as well as the courts which would have to interpret and enforce it. The complexity of the process made it necessary for the promoters of private legislation to appoint professional parliamentary agents to guide the legislation through that process. Such agents were usually advocates "of at least five years standing" (Kilpin, 1946: 17).

(i) ADVERTISEMENTS

Within the time period October to November of a year, the next step in the process was to publish a statement of the Bill's general objectives (as well as those whom it affected) (Kilpin, 1946: 20) in the *Union Gazette* and English and Afrikaans newspapers in the four provinces. At the same time the above publication was made, the parliamentary agent sent printed copies of the Bill to the Clerk of the House of Assembly who then sent copies to the Prime Minister's Office.

The purpose of the above procedure was to ensure that when Parliament met in January of the following year, those in opposition to the Bill were fully informed, as was the Government, who might also wish to oppose the Bill on public grounds. In the latter case, the Bill was described as "an opposed private bill" (Kilpin, 1946: 20).

(ii) PETITIONS IN SUPPORT

A private bill needed to be presented by petition to the House of Assembly by a member of that House acting for the promoters. The promoters chose this person with the assistance of their parliamentary agent. The petition was signed by the promoters and the parliamentary agent and, with a certified copy of the Bill, everything was sent to the Clerk of the House of Assembly (Kilpin, 1946: 20).

Before presenting the petition to the House, the petitioners needed to send the Bill to the Speaker for approval. Once this had been given, the promoters needed to present it to the House within a period of 40 days of the opening of the Parliamentary session. The petition was also a statement that House rules had been met and that due notice of the promoters' intentions had been given to the public through advertisements. The statement was confirmed by the Examiners – that is: the Parliamentary Draftsman and the Chairman of Committees. The method of confirmation used was to request the parliamentary agent to provide documentary evidence, such as newspaper clippings of the public statements made. At this point of the process, the parliamentary agent needed to pay a fee to Parliament for services rendered by its officials to date and to give a written guarantee, together with such security deemed necessary by the Clerk of the House, to pay all expenses associated with the Bill's passage. Once the Examiners were satisfied as to the evidence and payment, the member charged with the Bill rose in the House and gave notice for leave to present the Bill for a first reading. A date was set for this reading (Kilpin, 1946: 21).

On the chosen day, the Speaker called upon the member in charge of the Bill to "move the motion" (Kilpin, 1946: 22). The speaker then called for the motion to be seconded and, upon receiving this, asked "that the Bill be now read in first time" (Kilpin, 1946: 22). When the House dealt with a private bill, this question was usually agreed without discussion. The reason for this was the Parliamentary practice of referring private bills to a select committee which was required to examine it in detail, interviewing interested parties who wanted to give evidence. As a matter of unwritten understanding, select committees needed to consider both public as well as private interests (Kilpin, 1946: 27).

(iii) FIRST READING

The first reading of the Bill entailed the Clerk at the Table of the House reading its short title to the House, thereby confirming the House's intention to consider the Bill. Thereafter the member of the House responsible for the Bill moved a date for the Bill to be sent to the Select Committee (Kilpin, 1946: 22). After the first reading, private bills were usually sent to a select committee. Here the committee could change the principles embodied in the Bill and submit a new Bill to the House. This was not

possible after the second reading; at this reading, the Bill's principles were agreed and were thus fixed (Kilpin, 1946: 9).

(iv) PETITIONS IN OPPOSITION

A petition in opposition to the Bill needed to be presented by a member of the House within three sitting days of the Bill's first reading. Such a petition was drafted by a parliamentary agent employed by the Bill's opponents, and it had to detail the reasons for their opposition to the Bill. In addition, the opponent's agent needed to provide a certified copy of the petition for the promoters of the Bill, pay a fee and also include a written guarantee, with such security as necessary, to the effect that all costs associated with the opposition would be met by him. The member who presented the petition in opposition to the House then also moved its referral to the Select Committee (Kilpin, 1946: 23).

(v) REFERRAL TO SELECT COMMITTEE

Once the House had referred the Bill to a select committee, the Standing Rules and Orders Committee, chaired by the Speaker, considered the Select Committee's membership. A personal financial interest in the Bill, or that of members' constituents, was required to be disclosed and meant automatic exclusion from the selection committee (Kilpin, 1946: 23).

The Standing Rules and Orders Committee appointed the Select Committee's chair on the basis of experience and legal knowledge. As the chair had both a deliberative and a casting vote in the case of a private bill, the Select Committee was usually made up of an odd number of members so as to reduce the need for the chair to use a casting vote (Kilpin, 1946: 23). This added to the chair's objectivity. A number of other safeguards were in place to ensure the impartiality of the Select Committee, principally that no member of the House could "act as attorney, agent or counsel" (Kilpin, 1946: 24) before the committee. Also, all members of the committee needed to attend every meeting, unless given a leave of absence by the Speaker.

Without such permission, a committee missing more than one member could not conduct its business. It was understood that in order to prevent any attempt to delay the

process, select committees on opposed bills met daily until their business was complete (Kilpin, 1946: 24).

Once the Select Committee's membership had been chosen and the House informed of this by the Speaker, three sitting days needed to pass before the committee first met. This was to allow the chair of the committee, the parliamentary agents for the promoters and opponents of the Bill and the Clerk of the House to meet and to decide upon a date and time for the committee's first meeting.

At the first meeting, the members of the Select Committee sat at a curved table in the committee room. The chair sat in the centre of the curve with the committee clerk next to him. The clerk initiated the proceedings by reading the Order of the House which constituted the committee. Thereafter, the members signed a disclaimer of interest in the Bill. The promoters and opponents, together with their legal counsel and agents, were then allowed into the room to sit at tables set between the two ends of the curve. The witnesses and other interested parties sat behind them (Kilpin, 1946: 25).

The clerk then read the petition of the promoters and that of their opponents to the assembled group and the chair informed those assembled that the committee would listen to the parties to the Bill and then determine whether the assertions contained in the preamble to the Bill had been "proved" – that is: adequately detailed in the Bill. In this period, most private bills began with a statement – or preamble – of the Bill's specific objectives together with an explanation as to why legislation was needed "on each of the more important subjects dealt with in the clauses of the bill" (Kilpin, 1946: 25). The clerk read the preamble and afterwards the chair asked the promoters' counsel or their parliamentary agent – where there was no counsel – to present the case for the Bill and to call any witnesses in support of its preamble.

When called to present evidence, witnesses for the promoters took up the seat next to their counsel or parliamentary agent and answered such questions as were put to them. Thereafter, counsel for the Bill's opponents was permitted to cross-examine the witnesses. The counsel for the promoters was allowed a re-examination of the witnesses and a final re-examination was allowed to counsel for the opponents to the Bill. During

this process, counsel were only allowed to ask questions that related to the assertions contained in the preamble to the Bill.

Once the promoters had presented their case, counsel for the Bill's opponents or their parliamentary agent could be heard against the preamble and present such witnesses as considered necessary. As with counsel for the promoters, the opponents' counsel could only ask questions relevant to the assertions contained in the preamble (Kilpin, 1946: 25–6). Throughout the proceedings, the chair and members of the committee were entitled to question the witnesses. In the case of private bills, they could not call witnesses to give evidence; this was the prerogative of the parliamentary agents (Kilpin, 1946: 25).

Once both sides of the argument had been heard and all witnesses examined, the room was cleared so that the committee could decide in private as to whether the 'preamble [had] been proved, i.e. that the promoters [had] established a case for the bill' (Kilpin, 1946: 26). Once a decision had been made, the parties to the Bill were called back to the committee room to be informed as to the committee's decision. Where the question was "negatived" (Kilpin, 1946: 26) by the committee – that is: the promoters had not established a case for the Bill – the chair reported this to the House and the Bill was dropped. Where the Bill was "affirmed", the Select Committee then considered it in detail. When the committee had made such amendments to the Bill as it believed necessary, these were reported to the House (Kilpin, 1946: 26).

In the case of an unopposed private bill, the process was simpler in that there was no formal petition of opposition to the Bill nor hostile witnesses. The Select Committee could then ask the promoters' representatives to prove the assertions in the Bill to its satisfaction.

(vi) SECOND READING

The next step in the process was for the printed Bill to be brought before the House for its second reading. On the day set to consider the Bill, and after the clerk had read the Order of the Day, the Speaker called upon the member of the House responsible for the Bill to move its second reading. This usually took the form of an explanation by the member as to the necessity for the Bill and the reasons for its introduction. In terms of

parliamentary procedure, no seconder was needed for the motion as, in fixing the date for the second reading, the House had agreed to consider the Bill. The ensuing debate then decided whether the Bill should be read a second time with the Speaker ensuring the application of the rule of relevant comment in the proceedings. The Speaker usually interpreted this rule widely (Kilpin, 1946: 7).

The debate centred mainly upon the Bill's principles and the result was one of three choices – accept, reject or lay aside the Bill. The last of these was an amendment of the motion for a second reading and called for the Bill to be read "this day six months" (Kilpin, 1946: 8). Such a proposal, if accepted, "killed" the Bill as it was often impossible to have it read before the current session of Parliament ended. The result was that the Bill ended in limbo and was eventually dropped. Where the proposal to read the Bill a second time was only "negatived" (Kilpin, 1946: 8), the Bill could be put to a later reading within the current session and it remained "in the game".

When the second reading was complete, the Speaker instructed the Clerk at the Table to record the Bill's short title and thereafter asked the member in charge of the Bill "What day for Committee?"; that is: "Committee of the Whole House" (Kilpin, 1946: 9).

(vii) THE HOUSE-IN-COMMITTEE

At the House-in-Committee stage of the process, the actual detail in the Bill was considered and changes made to its clauses or sections. In this, the Committee was guided by the report of the Select Committee. This Committee was constituted in a small ceremony which underlay the principles of parliamentary procedure. After the order putting the House in Committee was read, the Speaker asked if he should "now leave the Chair" (Kilpin, 1946: 10). This question was put formally and agreed. The Chair of Committees then took a seat at the Table of the House and announced that the Bill could now be considered.

Each clause was then considered separately, and all sections of the Bill could be examined in detail. The role of the Chair was critical in guiding the debate and in ensuring the split in responsibilities was maintained: the House debated the principles of a Bill while the House-in-Committee dealt with its details.

In particular, the Chair needed to be vigilant that changes made "on an 'instruction' from the House" (Kilpin, 1946: 11) did not bring in new and important principles into a bill that were not intended. The Chair also needed to be careful not to allow amendments to the Bill which weakened the principles agreed to by the House and could also disallow amendments which were the same as others previously confirmed. The Chair of Committee thus had an important role to play.

It is important to note that the House-in-Committee could neither kill a bill (Kilpin, 1946: 11) nor withdraw a private bill. In the latter case, the Bill remained "the property of the promoters" (Kilpin, 1946: 27) and only they could withdraw the Bill. While the Committee could "negative every clause" (Kilpin, 1946: 11), the House, at the report stage of a bill, could still reverse such actions. Also, motions "that the Chairman leave the Chair" or "that the Chairman report progress", indicated the Committee's desire to discontinue debate on the matter. But if successful, the motions resulted in the Bill being "dropped" – though it could still be "revived" later, should the House so require (Kilpin, 1946: 11).

Once all clauses had been examined and the debate ended, the Chair enquired of the private member in charge of the Bill: "Does the Honourable Member move?" (Kilpin, 1946: 12). A positive response required the Chair to move that he "report" the Bill. The Speaker of the House was then called and informed of the Committee's decision. If the Bill was reported without amendments, the Speaker asked "what day for Third Reading?" Where a bill was forwarded with amendments, his question was "what day for Report stage?" When the day had been fixed, the House-in-Committee became the House of Assembly once again and the session closed. The bill was reprinted and detailed the amendments made (Kilpin, 1946: 12).

(viii) REPORT ON THE BILL

At the report stage, the House approved or rejected the amendments made to the Bill, or considered further amendments where the appropriate notice had been given. At this point in the process, the House considered the Bill as a whole and not clause by clause. The Speaker, back in the chair, detailed the changes made. Such changes could be amended and no notice was needed but new amendments needed proper notice to be given. Where amendments were proposed which should have been made in committee

on the order of the House, such an amendment needed to be sent back to the Committee of the Whole House for consideration. In addition, the whole bill or sections of it could be returned to that Committee for further debate. Such a move was usually made by a motion to do so or as an insert "that the amendments be now considered" to the initial motion to start the proceedings. When the House had considered all amendments, the Speaker asked "that the Bill as amended be adopted" and after a positive response, the date of the third reading was set (Kilpin, 1946: 12–3).

(ix) THIRD READING

At the third reading, the House considered the final amended and printed bill to decide whether it could be passed into law. When the motion "that the Bill be now read a Third Time" was proposed, it was possible for members to propose an amendment to the effect that it be read "this day six months". This happened where there were important reasons why the Bill should not be passed. While verbal changes and changes to the title were within the power of the House at this point, any important amendments needed to be sent back to the Committee of the Whole House for consideration (Kilpin, 1946: 13).

Once the third reading had been completed successfully, the role of the House of Assembly was almost complete. At the Speaker's request, a copy of the Bill was endorsed by the Clerk of the House as having "passed". It was then taken by a Clerk of the Table, together with the reports of the Examiners and Select Committee, to the Senate where they were accepted by the Clerk of the Senate (Kilpin, 1946: 13–4).

(x) TO THE SENATE

The Senate had the power to accept, reject, lay aside the Bill or suggest amendments to it, and could also refer it to its own Select Committee. If the Senate passed a bill, a message was sent to the House of Assembly. No message was sent where the Senate rejected a bill. Where the Senate passed a bill with amendments, the Bill was reprinted to show these amendments as well as the original text and sent back to the House of Assembly for consideration, either at once or at some future date. The House could consider the amendments itself or send them to a Committee of the Whole House. In either case, the principle applied was that whatever both Houses had agreed could not be amended, thus keeping the debate to the issues raised (Kilpin, 1946: 14).

Once all issues had been resolved in both Houses of Parliament, the next step was to obtain the King's Assent. A copy of the Bill, endorsed by both the Speaker of the House of Assembly and the President of the Senate, was sent to the Prime Minister's Office for onward despatch to the Governor-General for his approval (Kilpin, 1946: 15).

(xi) THE KING'S ASSENT

As the King's representative, the Governor-General could do one of three things:

1. assent to the Bill;
2. withhold his assent; or
3. return it to the House of Assembly for amendment.

Options 2 and 3 were rarely chosen. Once the Governor-General assented to the Bill, he signed the certified copy received from the Speaker, and sent it back via the Prime Minister's Office to the Clerk of the House of Assembly. The Clerk then forwarded this Act of Parliament to the Registrar of the Appellate Division of the Supreme Court "in order that it [was] enrolled of record" (Kilpin, 1946: 15). Both Houses of Parliament were formally informed of this fact and the Act became effective either on the date stipulated in the Act, or, if there was no such date, then on the day it was published in the *Union Gazette*.

APPENDIX 2:
A SUMMARY OF THE PARLIAMENTARY STAGES FOR A PRIVATE BILL

Parliament in Recess

1. In October and November, the parliamentary agent placed notices of the private Bill in the Union Gazette and newspapers.
2. By the last day of November, the agent lodged copies of the private bill with the Clerk of the House of Assembly who forwarded copies to the Prime Minister's Office.

Parliament in Session

1. Within the first 40 days of the beginning of the Session, the promoter of the Bill petitioned for leave to introduce the Bill.
2. The Bill was sent to the Examiners for consideration.
3. The Examiners' Report was laid on the Table of the House 'with all convenient speed'.
4. On receipt of favourable report, notice of motion for leave to introduce the Bill was given and the agent guaranteed costs associated with the process of having the Bill introduced and considered by Parliament.
5. First Reading of the Bill. Thereafter, petitions in opposition needed to be presented within three sitting days.
6. Notice of motion to refer the Bill to a select committee on the Bill.
7. Within two days of (6) above, meeting of Standing Rules and Orders Committee to consider the membership of the select committee took place.
8. After three days of announcement of the membership of the select committee, first meeting of this committee took place.
9. Report of the select committee to the House of Assembly.
10. Notice of motion to refer the Bill to a second reading.
11. Second Reading of the Bill.
12. Notice of motion to refer the Bill to the Committee of the Whole House.
13. Report to House and notice of motion to refer the Bill to a third reading.
14. Third Reading of the Bill.

15. Despatch of the Bill to Senate for concurrence.
16. Senate either concurs, amends or rejects the Bill.
17. Amended bill sent back to House for further debate.
18. Senate notified of House's reconsideration.
19. Bill to Governor-General for King's Assent.
20. Signed Bill returned to House.
21. Clerk of the House sent to the Registrar of the Appellate Division of the Supreme Court to be enrolled.
22. Act becomes effective on the date stipulated in the Act of when published in the *Union Gazette*.

(Source: Kilpin, 1946: 168)

APPENDIX 3:
THE SOUTH SEA BUBBLE

The facts of the South Sea Bubble are as follows. An English company known as the South Sea Company was formed in 1711 with the intention of taking on the Government's short-term debt and converting it into a permanent debt at a fixed interest. In return, the Government guaranteed the company an interest of 6% on the debt transferred together with a trade monopoly with the Spanish colonies in South America (Cowie, 1969: 242).

When this proved unprofitable, the directors of the company led by a John Blunt proposed a scheme to take over most of the Government's national debt, then amounting to £50 million (Cowles, 1960: 82). In this, Blunt had been influenced by a similar scheme engineered by one John Law in France with the Mississippi Company and a monopoly on developing the French possession of Louisiana in North America (Carswell, 1961: 84–7).

Blunt's scheme was uncomplicated in its initial design. In return for the debt, the South Sea Company assumed from the Government, it would issue stock in the company, but the exact details were left deliberately vague (Cowie, 1969: 243). If the market price of Company stock was greater than its issue price, the difference would be available for resale as stock. This was to be an important factor in creating the Bubble.

The Government debt, to be taken on, amounted to about £30 million, split into £15 million of redeemable debt and £15 million of irredeemable, or fixed, debt. The latter debt was in the form of long fixed-term annuities purchased by individuals as a source of income and became another important factor as the Bubble developed. The annuities were to run for a variety of periods but the Government chose to value them at a limited number of uniform periods so that in some instances their actual value was higher than their calculated value (Carswell, 1961: 104).

Public attention, already guaranteed by the large sums of money involved, was further piqued when the Bank of England made a counter offer for the right to offer its stock to holders of the national debt. Blunt's amended scheme won the day, however, and the

game was on (Carswell, 1969: 113). The annuitants were under no obligation to exchange their irredeemables to stock in the South Sea Company so the strategy adopted was to see how high its stock could be driven so as to induce the annuitants to convert.

But there were flaws in the scheme. The company needed to sell a minimum of 75 000 shares at £300 each simply to cover the redeemable debt of £15 million and pay a premium of £7½ million to the Government. To service the debt taken on would require just under £1 million, assuming an interest rate of 4%. There was thus little working capital to expand the business and generate separate revenue streams. In addition, the political dynamics of the day had required a considerable outlay of cash to buy patronage at the highest levels of Government and Parliament to ensure support of the passage of the proposed scheme through the English Parliament. To some, the flaws in the scheme were obvious. With more sense than most in the affair, one contemporary pamphleteer wrote:

> "The rise of the stock above the true capital will be only imaginary; that one added to one, by any rules of vulgar arithmetic, will never make three and a half; and that consequently all the fictitious value must be a loss to some person or other, first or last: that the only way to prevent it to oneself, must be to sell out betimes, and so let the Devil take the hindmost" (Cowles, 1960: 94).

The whole process was accompanied by exaggerated rumours of the profits to be earned by the trade with South America and it initiated a frenzy of speculation and the promotion of a variety of far-fetched and bizarre schemes, nicknamed "bubbles". One such "bubble" advertised the establishment of a company "for carrying on an undertaking of Great Advantage but no one to know what it is" (Cowles, 1960: 126). The Government was concerned and passed the Bubble Act in June 1720 (repealed in 1825) which required all joint-stock companies to have a Royal Charter. This restriction limited the formation of new joint stock companies until 1844 when the Joint Stock Companies Act made such companies generally acceptable again (Chatfield, 1977: 70). Ironically, the grant of a Charter to the South Sea Company boosted its attraction. The Company's share price rose from £128 in January, 1720 to £550 at the end of May and peaked at almost £1 000 at the beginning of August (Cowie, 1969: 243). The

momentum could not be sustained and the price began to fall after that date. In August, too, the company's liquidity problem became critical. The down-turn changed into a run to sell the rapidly depreciating stock with panic and chaos as inevitable consequences. By the end of September, the value of a share was down to £150 and thousands of individuals were ruined. Parliament was recalled in December and an investigation revealed the widespread bribery. Many important people involved in the scheme escaped punishment, but most of the directors of the company had their assets sequestrated (Cowles, 1960: 172).

APPENDIX 4: PARTY REPRESENTATION IN THE HOUSE OF ASSEMBLY, 1910–38

	Election Year + Total Seats	Date of Election	Labour (National Council)	Unionist Party	Dominion Party	South African Party	Labour	National Party (Hertzog)	National Party (Malan)	Independent
1)	1910 121	15 September 1910		39		67	4			11
2)	1915 130	20 October 1915		40		59	4	27		
3)	1920 134	10 March 1920		25		41	21	44		3
4)	1921 134	8 February 1921		To South African Party		79	9	45		1
5)	1924 135	17 June 1924				53	18	63 Pact Government		1
6)	1929 148	17 June 1929	3			61	5	78		1
7)	1933 150	17 May 1933	4			61 United Party	Fusion Government	75		10
8)	1938 153	18 May 1938	3		8	111			27	1
9)	1943 150	7 July 1945	9		7	89		Afrikaner Party (Havenga)	43	2
10)	1948 150	26 May 1948	6			65		9	70	9
11)	1953 156	15 April 1953	5			57		To National Party	94	

Source: Davenport and Saunders, 2000: 710.

APPENDIX 5:

COST OF THE 1924 ACCOUNTANTS BILL TO THE FOUR SOCIETIES

The Registrar
The Transvaal Society of Accountants
P O Box 2995
Johannesburg
South African Society of Accountants (Private Bill)

Total cost till the 30th June:

Parliamentary Agents Account	£2 256 7s 0d
Expenses incurred by the promoting Societies	£ 686 15s 1d
Interest on advances by Societies	£ 53 6s 0d
Total	£2 996 8s 1d

Different Societies contributions:

Cape Society of Accountants	£1 714 17s 9d
Plus interest	£ 53 6s 0d
	£1 768 3s 9d
Transvaal Society of Accountants	£ 668 2s 8d
Plus interest	£ 9 12s 11d
	£ 667 15s 7d
Natal Society of Accountants	£ 309 1s 8d
Plus interest	£ 4 4s 8d
	£ 313 6s 4d
OFS Society of Accountants	£ 232 16s 0d
Plus interest	£ 4 6s 0d
	£ 237 2s 5d
Total	£2 996 8s 1d

When an estimate of likely cost was obtained it was not anticipated that there would be much, if any, opposition and the sum of £2 000 was the basis upon which the costs were calculated.

Source: SAAHC, TSA, Minutes 19 August 1924: 190, Minute Number 12.

APPENDIX 6:

ORIGINAL AFRIKAANS SOURCES

QUOTED IN TRANSLATION IN CHAPTER 13

TABLE 13.1

MATERIAL IRREGULARITIES, 1953–75

		Aantal gevalle
Teruggetrek deur ouditeurs op 'n later datum		3
Aandeelhouers vervolg die direkteur in ’n siviele saak		1
Bevredigend reggestel op ’n later datum, voor of na optrede deur ’n instansie na wie die geval verwys is deur die Raad		37
Deur die Raad of die instansie na wie verwys [is] deur die Raad, beslis dat die geval nie ’n wesentlike onreëlmatigheid is nie		12
Geen optrede tot gevolg nie		624
Maatskappye gederegistreer		124
Optrede deur verskeie instansies geweier		13
Prokureur-Generaal stel geen vervolging in nie		
- geen rede aangedui	105	
- kan nie die skuldige partye opspoor nie	8	
- getuienis onvoldoende vir suksesvolle vervolging	6	
- kan nie optree voor die maatskappy onder geregtelike bestuur geplaas word nie	3	122

Skulderkenning betaal deur die persone in beheer en/of die maatskappy		16
Vervolgings ingestel		64
Word nog ondersoek		117
Onverklaar		13
		1 146

Source: Vermaak, 1976: 159–60.

Vermaak, quoted in Chapter 13 (original Afrikaans):

"In 591 gevalle het die Raad slegs die stukke geliasseer en nie opgetree nie, daar die ouditeure berig het dat die maatskappye handel dryf terwyl dit insolvent is, en vorige ervaring in die verband getoon het dat daar nie op daardie stadium teen die maatskappye opgetree kan word nie.

> In die ander 33 gevalle was die maatskappye reeds onder geregtelike bestuur (3 gevalle), in likwidasie (9 gevalle) of is later in likwidasie geplaas (21 gevalle). Dit is die plig van die geregtelike bestuurders en likwidateurs om op te tree waar daar in sulke gevalle beweerde wesentlike onreëlmatighede voorgekom het. Die Raad het hulle dus net self daarvan vergewis dat die betrokke amptenare bewus is van die beweerde wesentlike onreëlmatighede" (Vermaak, 1976: 162–3).

APPENDIX 7:
BASIC DETAILS OF THE FOUR PROVINCIAL SOCIETIES

1. Transvaal Society of Accountants
   (Est. August 1904)
   Name changed to:
   Transvaal Society of Chartered Accountants
   (February 1970)
   Society liquidated/wound up
   (1994–6)

2. Natal Society of Accountants
   (Est. 1909)
   Name changed to:
   Natal Society of Chartered Accountants
   (February 1970)
   Name changed to:
   Kwazulu-Natal Society of Chartered Accountants
   (March 1995)

3. Society of Accountants in Cape Colony
   (Incorporated 1907)
   Name changed to:
   Cape Society of Accountants and Auditors
   (in 1920)
   Name changed to:
   Cape Society of Chartered Accountants (CSA)
   (in 1967)
   Merged with
   Chartered Accountants Western Cape Regional Association (CAWCRA)
   (Est. 1979)
   and name changed to:
   Western Cape Society of Chartered Accountants
   (in 1996)

4. Society of Accountants and Auditors in the Orange River Colony
(Est. 1907)
Name changed to:
Society of Accountants and Auditors in the Orange Free State
(in 1910)

APPENDIX 8:
A BRIEF SURVEY OF SOUTH AFRICAN POLITICS, 1910–51

In many countries, history is a saga of opportunities gained and opportunities lost. In South Africa's case, the opportunities gained were those endowed by its abundant deposits of diamonds, gold and other minerals; the opportunity lost was the failure to use the tremendous mineral wealth generated by mining to create an equitable society for all its peoples. Successive White governments failed in this respect as they did not recognise a growing population's land hunger and passed the cruel Land Act of 1913. But two Anglo-Boer Wars – the first, a short-lived affair in 1880; the second, a full-blown modern war covering nearly four years, from 1899–1902, created a long-lived animosity between English and Afrikaans speakers. Much of the political activity in South Africa in the 20th Century was tainted by memories of this second conflict.

South African history is thus complex and it is not the intention to get involved in that complexity. The methodology used in this Appendix is to outline political change through a basic analysis of the shifting allegiance in the 11 parliamentary elections held in the period 1910–53. In summary, they were:

Date of General Election	**Victor**	**Number of parliamentary seats available**	**Number of parliamentary seats taken by victor**
September 1910	Amalgamation of three pre-Union governing parties [1]	121	66 (54.5%)
October 1915	South African Party Unionist Party	130	54 (41.5%) 40 (30.7%)
March 1920	South African Party Unionist Party	134	41 (30.5%) 25 (18.6%)
February 1921	South African Party [2]	134	77 (57.4%)

June 1924	National Party [3] Labour Party	135	63 (46.6%) 17 (12.5%)
June 1929	National Party Labour Party	148	77 (52%) 8 (0.54%)
May 1933	Coalition [4]	150	144 (96%)
May 1938	United Party [5]	150	111 (74%)
July 1943	United Party [6]	150	89 (59%)
May 1948	National Party [7] Afrikaner Party	150	70 (46.6%) 9 (0.06%)
April 1953	National Party	156	94 (60%)

FOOTNOTES:

1 Evolutionary elements of future South African Party which comprised both moderate Afrikaans and English South Africans under the leadership of the former Boer Generals Botha and Smuts.
South African Party (Cape Colony)
Orangia Unie (Orange Free State)

2 South African Party (under Smuts' leadership) amalgamated with the English-speaking Unionist Party in 1920.

3 The former Boer General JBM Hertzog's National Party (founded in 1912 as the Afrikaner nationalist opposition to the SAP) entered into a Pact with Creswell's English-speaking Labour Party to act in concert. The Pact Government lasted from 1924–33.

4 Coalition between Hertzog's Nationalist Party and Smuts' South African Party. This unusual political grouping was the direct result of the Great Depression.

5 The Coalition of the National Party and the South African Party fused to form a new party, the United South African National Party. In so doing, it shed right-wing fundamentalists of both Afrikaans- and English-speaking South Africans.

In 1934, DF Malan became the leader of the Purified National Party, the party of "exclusive Afrikaner nationalism" (Saunders and Southey, 1998: 121).

6 With the outbreak of World War II, the question of neutrality or participation split the United Party and left Smuts as leader after Hertzog's resignation. For the duration of the war, Smuts was supported by the English-speaking Dominion and Labour parties. Havenga, former Finance Minister and supporter of Hertzog, formed the Afrikaner Party as an alternative to Malan's Purified National Party.

7 Afrikaner nationalism triumphed in the 1948 election and took effective control of the Government. Apartheid was their official creed. Havenga's Afrikaner Party supported Malan in the elections, giving a narrow margin in the election.

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(ii) *London and General Bank* [1895] 2 Ch. 673, Lindley, LJ (quoted in Nathan, 1927: 236).
(iii) *Newton v Birmingham Small Arms Co.* [1906] 2 Ch. 378 (quoted in Nathan, 1927: 235–6).
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PUBLIC ACCOUNTANTS' AND AUDITORS' BOARD

EXECUTIVE COMMITTEE MINUTES

1. 25 October 1951 – 13 May 1954*
   E1 – E98

2. 15 July 1954 – 11 August 1955
   E199 – E321

3. 27 October 1955 – 25 July 1957
   E322 – E461

4. 18 September 1957 – 20 April 1962
   E462 – E805

5. 26 April 1962 – 27 July 1964
   E806 – E983

6. 27 July 1964 – 5 August 1969
   E984 – E1287

7. 7 October 1969 – 25 July 1972
   E1288 – E1448

8. 14 November 1972 – 4 November 1974
   E1449 – E1595

9. 4 November 1974 – 13 February 1978
   E1596 – E1843

10. 16 May 1978 – 12 November 1980
    E1844 – E2115

11. 12 November 1980 – 24 November 1983
    E2116 – E2446

12. 9 February 1984 – 17 February 1987
    E2447 – E2744

13. 9 June 1987 – 1 June 1994
    E2745 – E3296

14. 14 June 1994 – 17 October 2000
    E3297 – E3134

15. 6 February 2001 – 16 August 2004
    E3135 – E3794

Accessed: 30 January 2005 (PAAB Archives)

* The first meeting was actually on 24 October 1951 where the Minister of Finance began proceedings and then handed on to the Secretary of Finance. Minuted B1–B4.

** Minutes from 1951–4 indicate significant activity of the Board; hence they are listed in more detailon the next page than subsequent meetings here recorded.

BOARD MINUTES

1. First Board Minutes filed with Exco Minutes.

Meeting	Minutes
24 October 1951	B1 – B4
27–29 November 1951	B5 – B16
13–14 February 1952	B17 – B29
17 April 1952	B30 – B47
24–25 September 1952	B48 – B74
4–5 February 1953	B75 – B92
28–29 April, 1 May 1953	B93 – B116
15 June 1953	B117 – B121
17 June 1953	B122 – B123
3 August 1953	B124 – B129
5–6 August 1953	B130 – B146
28–30 September; 2 October 1953	B147 – B152
23–24 November 1953	B153 – B183
16–17 February 1954	B184 – B215

2. 10 August 1954 – 10 August 1955
   B216 – B358

3. 10 August 1955 – 4 June 1957
   B359 – B500

4. 17 September 1957 – 18 March 1964
   B501 – B887

5. 18 March 1964 – 8 March 1972
   B888 – B1247

6. 16 March 1973 – 14 April 1981
   B1248 – B1633

7. 15 September 1981 – 24 March 1988
   B1634 – B1950

8. 26 September 1988 – 24 October 2000
   B1951 – B2382

9. 16 March 2001 – 7 June 2004
   B2387 – B2515

ACTS AND BILLS: MOVEMENT THROUGH THE HOUSE OF ASSEMBLY

1. ACCOUNTANTS' REGISTRATION BILL, 1913

Union of South Africa. Debates of the House of Assembly.
Third Session, First Parliament
24 January – 16 June 1913

	Page	Date
First Reading	51	30 January 1913
Select Committee	127	4 February 1913
	137	6 February 1913
Preamble not proved	730	10 March 1913

2. SOUTH AFRICAN SOCIETY OF ACCOUNTANTS (PRIVATE) BILL, 1924

Union of South Africa. Debates of the House of Assembly.
Fourth Session, Fourth Parliament (Vol. 1)
25 January – 10 April 1924

	Page	Date
Examiners report on petition	104	6 February 1924
First Reading	185	12 February 1924
Petitions in opposition	273	18 February 1924
Bill referred to Select Committee	329	19 February 1924
Petitions in opposition referred to Sel. Comm.	329	19 February 1924
Special report	507	28 February 1924
Second special report	1132	27 March 1924
Reported	1235	1 April 1924
Proceedings suspended	1347	8 April 1924

Union of South Africa. Debates of the House of Assembly.
First Session, Fifth Parliament (Vol. 2)
25 July – 6 September 1924

	Page	Date
Revival	35	29 July 1924
Second Reading	147	1 August 1924
Committee	309	8 August 1924
Suspension	1193	2 September 1924

Union of South Africa. Debates of the House of Assembly.
Second Session, Fifth Parliament (Vol. 3)
13 February – 15 April 1925

	Page	Date
Revival	22	17 February 1925
Committee	919	13 March 1925
	2495	24 April 1925
Suspension	3886	2 June 1925
	4212	9 June 1925

3. COMPANIES ACT, 1926

Union of South Africa Debates in the House of Assembly
Third Session, Fifth Parliament (Vols 6–7)
22 January – 8 June 1926

	Page	Date
First Reading	75	28 January 1926
Second Reading	973–998	25 February 1926
Committee	1065–1113	1 March 1926
	1159–1163	3 March 1926
Amendments	1936–1962	24 March 1926
	2040–2094	29 March 1926
Third Reading	2578	20 April 1926
Senate Amendment	4194–4197	26 May 1926

Assented to 8 June 1926, Act No. 46 of 1926

4. CHARTERED ACCOUNTANTS' DESIGNATION (PRIVATE) ACT, 1927

Union of South Africa Debates in the House of Assembly
Fourth Session, Fifth Parliament (Vols 8–9)
28 January – 29 June 1927

	Page	Date
Examiner's Report	47–47	3 February 1927
First Reading	144–144	8 February 1927
Reference to Select Committee	321–321	15 February 1927
Speakers statements	408–408	17 February 1927
Special report	1085–1085	7 March 1927
Reported	1320–1320	11 March 1927
Second Reading	2141–2154	1 April 1927
Committee	3083–3105	3 May 1927
Amendments considered	3255–3266	6 May 1927
Third Reading	3570–3575	13 May 1927
Senate's Amendment	4328–4329	31 May 1927

Senate of South Africa: Debates
Second Senate (Weekly Edition No. 4)
20 May – 27 May 1927

	Page	Date
First Reading	297	20 May 1927
Second Reading	363–378	27 May 1927
Committee	371–375	27 May 1927
Third Reading	375	27 May 1927

Assented to 8 June1927, Act No. 13 of 1927

5. ACCOUNTANTS BILL, 1934 (REITZ)

Union of South Africa, House of Assembly Debates
Second Session, Seventh Parliament (Vols 21–22)
26 January – 4 June 1934

	Page	Date
First Reading	1058	6 March 1934

6. ACCOUNTANTS BILL, 1936 (REITZ)

Union of South Africa, House of Assembly Debates
Fourth Session, Seventh Parliament (Vol. 26)
24 January – 1 May 1936

	Page	Date
First Reading	221	4 February 1936

7. ACCOUNTANCY BILL, 1938 (POCOCK)

Union of South Africa Debates in the House of Assembly
First Session, Eighth Parliament (Vol. 32)
22 July – 24 September 1938

	Page	Date
First Reading	441	2 August 1938
Referred to Select Committee	891	12 August 1938
Nomination of Members	1083	17 August 1938
Report	3057	20 September 1938

Union of South Africa Debates in the House of Assembly
Second Session, Eighth Parliament (Vol. 33)
3 February – 16 June 1939

	Page	Date
Revival	42	7 February 1939
	129	9 February 1939
Withdrawn	2626	30 March 1939
New Bill's First Reading	2627	30 March 1939

Union of South Africa Debates in the House of Assembly
Fourth Session, Eighth Parliament (Vol. 37)
19 January – 14 May 1940

	Page	Date
First Reading	38	23 January 1940
Second Reading	796	2 February 1940
Committee	2168–2208	23 February 1940

Dropped owing to the prorogation of Parliament (14 May 1940).

GLOSSARY OF NON-ENGLISH WORDS AND PHRASES

ab initio – at the beginning

bewaarplaatsen – technical legal term for the surface land leased to mining companies, beneath which the mining takes place

blitzkrieg – fast-moving and violent military campaign

bona fide – genuine or trustworthy

bywoners – tenant farmers

cause célèbre – controversy

caveat – warning

Christelike Nasionale Onderwys – Christian National Education

cri de coeur – passionate appeal

de facto – in reality (whether lawful or not)

de jure – according to law

de novo – from the beginning

denouement – final resolution

Die Afrikaanse Handelsinstituut – "The Afrikaans Commerce Institute"; a major chamber of commerce

Die Stem – a song associated with Afrikaner nationalism, ultimately replacing "God Save the Queen" as the South African national anthem

Die Volk – the Afrikaner people as a nation

dramatis personae – the main players

en bloc – all together

et al. – and others

ex officio – by virtue of office

fait accompli – an irreversible state or action

Federale Mynbou – Afrikaner finance corporation (initially for mining)

Federale Volksbeleggings – Afrikaner investment company

geoktrooieerde – chartered

Gesuiwerde Nasionale Party – Purified National Party

getjaarterder – chartered (informal)

hereniging – reunion

Herenigde Nasionale Party – Reunited National Party

impasse – insurmountable obstacle

in situ – in position

kaffir – highly pejorative and racist term for a Black person in South Africa

laissez-aller – unconstrained

maelström – turbulence

Ossewabrandwag – "Ox-wagon Sentinel"; an Afrikaner organisation of Nazi sympathisers fiercely opposed to South African participation in World War II

per annum – each year

per capita – per person

platteland – the South African countryside

plattelanders – rural Afrikaners

plus ça change, plus c'est la même chose – the more things change, the more they stay the same

quid pro quo – given in exchange

quora – pl. of quorum: the fixed number of members of a body whose presence is necessary for its transactions to be valid

sic – as it stands

status quo – the existing state of affairs

Taalbond – see Zuid-Afrikaanse Taalbond

uitlanders – British immigrants to the SA mines (derogatory)

verbatim – word for word

via media – middle way / compromise

vice versa – the other way around

vierkleur – the four-coloured flag of the old Zuid-Afrikaanse Republiek

vis-à-vis – in relation to

Volksraad – the Parliament of the old Zuid-Afrikaanse Republiek; also the Afrikaans term for the South African House of Assembly

volkskapitalisme – Afrikaner nationalist interpretation of capitalism

Volkskas – a commercial bank for Afrikaners

Voortrekkers – Cape Dutch farmers who left the Cape in the 1830s–40s to settle in the South African hinterland away from British colonial rule

Zuid-Afrikaanse Taalbond – an organisation dedicated to the fostering and preservation of Afrikaner language